

Australian dairy farmers fear sellout to NZ

AUSTRALIAN dairy farmers have reacted strongly to the news that Australia and New Zealand will discuss closer co-operation in international trading.

The president of the Australian Dairy Farmers' Federation, John Bennett, said Australian dairy farmers had no objection in principle to the creation of a "South Pacific Common Market", providing it was not achieved at the expense of the Australian dairy industry.

Bennett said Australia's 23,000 dairy farmers were following closely the Australian Prime Minister's advocacy of closer economic ties with New Zealand.

He emphasised that the Australian dairy industry was not in favour of closer ties with New Zealand — "If the Australian domestic dairy market is to be used as a carrot to lure the New Zealanders into a closer relationship."

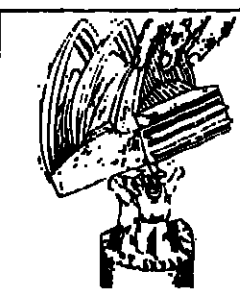
In a blunt warning to the Australian Government he

said: "The dairy industry does not intend to be the scapegoat in this situation."

"The Federal Government had better appreciate that the Australian dairy industry has worked hard putting its house in order over the last few years, and has no intention of being regarded as expendable in international negotiations."

"If there is the slightest hint that the Government intends to sell us out by giving some, or all of our domestic market to the New Zealand dairy industry, to make up for New Zealand's lost markets in Europe, then I can promise the Prime Minister that some Parliamentary heads will roll at the next election."

Bennett said that over the years the Australian Government had already traded away part of the domestic cheese market to the New Zealand dairy industry, and Australian cheese manufacturers were now being faced with price undercutting by New Zealand on the Australian market.



THE AUSTRALIANS

He said: "We are saying to the Australian Government that before they start climbing into bed with the New Zealanders they had better sort out the present cheese import position and give us some solid assurances that the Australian domestic dairy market is very definitely 'not negotiable' in the coming economic talks with New Zealand."

He said for the Australian dairy farmer it was not an issue of free trade, but fair

trade — "If you look at the situation which exists at present there is nothing fair or equitable about the way the New Zealanders have eroded the Australian dairy industry's returns on the domestic market." New Zealand, he claimed, has been using pricing as a mechanism of obtaining market penetration, but its cost structures were not much different from Australia's.

The New Zealand dairy farmers however, had two great advantages: their products were subject to "enormous subsidies" compared with their Australian counterparts, and they derived large amounts of money from sales in Europe, which they can offset against the "ridiculously low price products" they send to Australia.

The move for closer trade co-operation undoubtedly comes from Australia's manufacturing industry, and the sharp reaction among

dairy farmers stems in part from a suspicion that they will be sacrificed to enable more Australian manufactured goods to be sold in New Zealand.

Bennett stressed that whereas the New Zealanders were experts in the field of primary production the Australian manufacturing industry was one of most grossly inefficient sectors of the Australian economy — as would soon become apparent if the common market were to embody countries beyond New Zealand.

No other rural industry in Australia has faced as many difficulties, both at home and

abroad, as the dairy industry in the last two decades. At the end of 1978 there were 38,000 fewer registered dairy producers in Australia than there were in 1960.

Total milk production has fallen in the three years 1976-78 by some 1000 million litres, butter production by 50 tonnes and production of skimmed milk powder 77,000 tonnes.

Net average returns to producers are expected to be 1978-79, but any loss this fragile recovery poses for Australia-New Zealand negotiations will meet vigorous political opposition from Australia's dairy farmers.

Inner-city homes sell at premium prices

THERE is an increasing demand for established accommodation in the inner-city areas of Australia's State capitals according to the Real Estate Institute of Australia.

The trend is most apparent in Sydney, where a shortage of property has caused housing prices to rise between 20-25 per cent in the last year.

The house listings shortage is particularly acute in the lower price range below \$400,000.

A spokesman for one of Australia's largest real estate firms said he had never known Sydney to be so short of properties. Houses selling a year ago for \$400,000, are now fetching between \$480,000 and \$495,000, while homes that were sold for \$400,000 a year ago now sell between \$4125,000 and \$4130,000.

In some areas the percentage increase in price over the last 12 months has been even greater.

Where demand cannot be met at the higher end of the market, homes which would have sold for about \$200,000 last year are now selling for \$230,000.

The rising house prices in Australia's eastern State capitals have been attributed by some to a returning confidence in the national economy. But significantly the increased demand is for established homes.

There appears to be a decline in demand for new homes, at least according to the national president of Australia's Housing Industry Association.

He told delegates at the 14th national housing conference in April that the Australian housing construction industry faced at least 18 months of depressed conditions.

He said high unemployment among young Australians was the basic reason for the decline. Normally the younger age group bought well over 50 per cent of the new homes constructed in Australia.

Even for those employed the fear of unemployment caused them to doubt their capacity to make their mortgage repayments.

Some sections of the Australian media have noted with optimism the increase in building "approvals", but a close analysis shows that the increase has occurred in respect to proposed Government buildings.

The number of "approvals" for the construction of private dwellings in Australia has actually declined, on a seasonally adjusted basis. In addition the Housing Industry Association has reported a marked discrepancy between "approvals" sought for private dwelling construction,

and actual construction. This assessment was confirmed by a spokesman for the Master Builders' Association who said there was a falling fall in the percentage of loans for the construction of new dwellings.

In 1978 in the State of Victoria less than 30 per cent of home loans, including banks and building societies, were for new homes, compared with 44 per cent in 1971.



NEW HOUSES ...

Statistics recently submitted to a Parliamentary House of Representatives Committee indicate that the growing percentage of loans going into established homes is a nationwide trend.

Those in the inner-city suburbs are seen by many as better value than new homes, and the additional loans made available in 1978 have been mainly into the purchase of existing dwellings in the inner-city areas.

The executive director of the Real Estate Institute of Australia said Australia's inner-city areas were becoming increasingly reluctant to travel long distances and were moving to the older inner-city suburbs, he said, would also become competitive areas when the inner-city area's accommodation priced itself out of the market, or, he added, when new homes, have added, when new homes, price themselves in.

Prices of materials have risen sharply in the last 12 months, and the Master Builders' Association predicts that they will rise by another 10 per cent during 1979.

Intense competition in a falling market has already had a devastating effect on builders' profit margins, and some smaller building companies have been forced into liquidation.

It seems unlikely that circumstances that have increased costs can be absorbed by the builders, but any price rise by the new homes market will sustain the trend towards the purchase of established homes in Australian capital cities.

Dairy Bd pitches fun milk on local market

by Belinda Gillespie

CARTONS of flavoured Dairy Board milk will be on sale in Auckland by the end of the year.

The board has leaptfrogged into the domestic market for flavoured milk by getting import licences for the equipment on the grounds that its product will be mainly for export.

Others who would like to be in on the flavoured milk act are eating their hearts out while Agriculture Undersecretary Rob Talbot and the Caucus Committee on Town Milk deliberates on the controversial question of milk packaging.

Talbot says the committee is forging its way through the numerous submissions and should be ready to report by the end of November.

It can't come too soon for those with a vested interest in the future of flavoured milk.

A UEB spokesman, for example, told NBR that Government procrastination had cost the company its three-year market lead in milk cartons.

Dick Roberts, general manager of the Hutt Milk Corporation, says the carton is the key to the flavoured milk market. He has been trying since 1970 to persuade the Department of Trade and Industry to grant the necessary licences for its production.

Among the committee's terms of reference are the future of Ultra-Heat-Treated (UHT) milk and its distribution and the use of cartons for both plain and flavoured milk. UHT is the Dairy Board's long shelf-life milk intended for export.

A committee finding in favour of the production of fresh-flavoured milk in cartons will make it difficult for Trade and Industry to justify continued refusal of licences for necessary plant, in view of the Dairy Board's activity on the domestic scene.

The Dairy Board remains adamant that it has designs only on the export market. We asked Bruce McKinnon, manager of UHT products at the Dairy Board, when production of UHT milk would start at the Dairy Board factory in Takanini.

"We're still at the stage of commissioning the plant," McKinnon said.

"Before the end of the year" is the most definite date offered for beginning commercial production.

The total capacity of the plant is 2000 litres an hour, but it is nowhere near running at that level.



ROB TALBOT ... deliberates.

The plant is capable of running 24 hours a day, but its requirements make more than two shifts a day unlikely — so 8 million litres a year is the realistic total capacity.

The availability of staff would be one limiting factor before the plant could run at full capacity, a stage which the board has a long way to reach, and no decisions have been made on annual output.

Virtually all the white milk produced will be for export, with a small percentage going into shops' stores and the like. Initially, all the flavoured milk produced will be "test-marketed" in the Auckland area. The next stage of the marketing plan is to launch UHT flavoured milk throughout the Pacific — but the board "has a lot of learning to do first".

The board assessed the potential market on the basis of existing sales of UHT products in South East Asia, and some Australian UHT milk in the Pacific region.

The decision to get the plant was made two years back, but was based on projections over the last three or four years.

One consideration is the incidence of milk recombining plants in the marketing area. In some cases, the board already supplies bulk milk to recombining plants, and the possibility of a conflict between the two products has to be weighed up.

A Dairy Board representative is in the Pacific "fine-tuning" the market — but it is considered impossible to do in-depth consumer research on a statistical basis in the Pacific.

The size of the island market is a guess at this stage, depending on the acceptance of the new product.

Hong Kong and Singapore are potential markets — but compared with recombined milk, the New Zealand product

with its high water content and large freight costs is not considered a viable proposition.

McKinnon said he could not give a figure for the quantity of flavoured milk which the board expects to put on the local market.

Terry Goffin, the Milk Board's marketing manager, gives a daily consumption figure (based on sales May to July in 1979) of 266,250 litres, for the whole of the Auckland metropolitan area, from Helensville to south of Pukekohe.

With the Dairy Board's plant operating at a maximum daily output of 32,000 litres a day, their product, even if the entire output were flavoured UHT for the home market, is only a small percentage of the current level of Auckland milk sales.

Countering the fears expressed in certain quarters that the board has manoeuvred itself into a strong position to take over the New Zealand market for flavoured milk, McKinnon claims that "the board lacks experience in the skills of consumer marketing — and it's best to learn new skills in the home market."

McKinnon says his division has already acquired a large number of new skills which it couldn't have learnt without the opportunity to study the local situation.

Getting the product right and designing it for the market are also headaches.

Flavoured milk has a different fat percentage from plain, and the flavouring substances added to the milk react differently when subjected to the high temperatures of the UHT process.

Depending on what the board learns from its trials with flavoured milk, it plans to market a range throughout the Pacific, ascending in a scale of complexity from plain to flavoured milk to controlled fat creams, whipping creams and other dairy products.

A comparison of the size of the Auckland milk market and the Dairy Board's UHT output, suggests McKinnon, counters the UEB suggestion that UHT will be a serious threat to a fresh cartoned product.

But the other side could argue that the comparison is a red herring in view of overseas experience that "fun" milk takes a slice out of soft drink sales, not those of white milk — in Victoria, the introduction of flavoured milk in cartons cut 25 per cent off the soft drink market and generated \$18 million extra in milk sales.

McKinnon would not put a price on flavoured milk, but

said it would be what the market would stand at the time the product is launched.

Nor would he give anything away about the considerable amount of market research carried out by the board in the Auckland area, both at the product and consumer level — all valuable for "practising skills and gaining experience in developing products for overseas markets," McKinnon said.

"It is not the Dairy Board's intention to conflict with the Milk Board. We are both organisations in the same industry. They are responsible for the distribution and marketing of plain milk, in which we have no intention of getting involved," McKinnon said.

"The questions on the future of flavoured milk remain

unanswered, and will remain so until the Government committee, followed by Trade and Industry, give its decision on fresh cartoned milk, plain, flavoured or both.

The committee has it also within its brief to make recommendations about UHT on the domestic market.

The Dairy Board's real intentions on the home market must be taken at face value until the new product is launched. Meantime the cynics continue to wonder whether the Auckland UHT milk venture will be a genuine trial run, or a fortuitous long start in a future race with the Milk Board for a very lucrative market.

AUCKLAND TRIAL: not a test-market but "a major onslaught". — Page 7.

Inside:

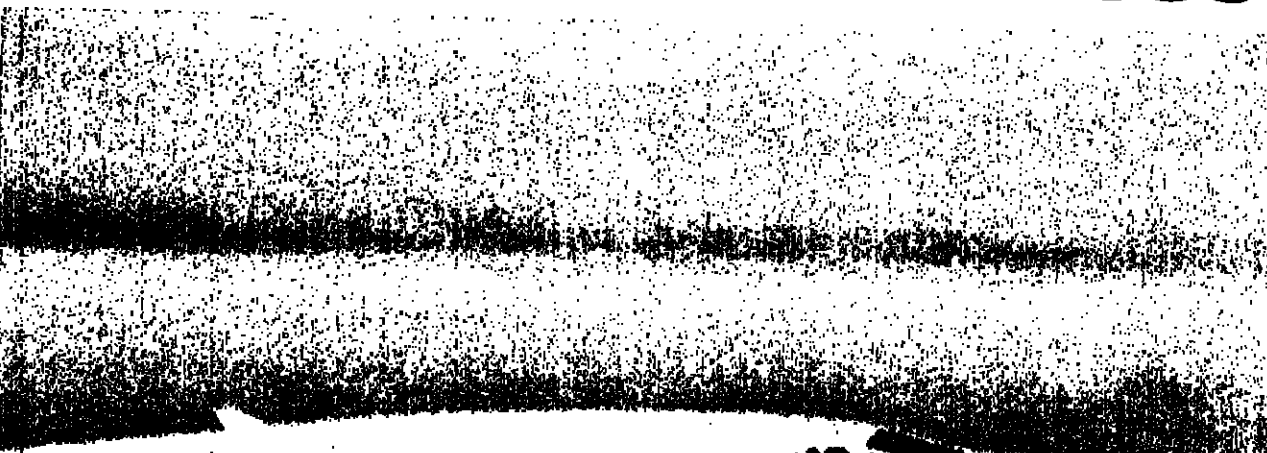
WE now appear to have an incomes policy which is determined at the whim of the Prime Minister. Colin James — Page 2.

CONFLICT of interest is an ever-present consideration for a person involved in as many different companies as Lyn Papps is. Mary Varnham talks to the man at the helm of some of the country's largest companies — Page 9.

A LAST minute programme of labour reforms restoring wage bargaining and limited trade union rights has saved Chile from the threat of an international trade blockade. John Draper reports from Santiago — Page 11.

IT SEEMS like every time a traveller gets on a domestic flight the fare goes up. Yet the so-called private company is hardly frank with its shareholders, the taxpayers. — Page 21.

A nose for business



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After Maui decision: which companies will benefit?

by Peter V O'Brien

It is what the Employers' Federation calculated to be the size of the tradesman's ratchet this year.



The Employers' Federation keeps very closely in touch with the Government. At times

In the drivers' case, this concern is complicated by an obsession with the Socialist Unity Party (SUP) — two

But, come the dawning of the new week, Bolger got into the act. He let it be known privately that the Government

bargaining) to a union-enforced contract system in which strikes are the accepted way of settling differences.



That may not be good news for BP and Petrocorp, which both aspire to the economic stewardship of Maui methanol and various related products.

with the money, the market and systems guarantees, and be prepared to accept the

renewable resources.

million or so in New Zealand,

Press from Mount Cook group surprised the markets, but there is an indirect link be-

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EDITORIAL

AFTER negotiations between drivers and employers had dragged on for six disruptive weeks, agreement was reached. But a Government whose cautions had been a constant constraint that made a mockery of free wage bargaining stepped in before the deal could be clinched.

Justifying its action on the grounds that inflation must be restrained, it invoked its law-making powers to cut by 1.5 per cent the pay rates agreed to in the award negotiations.

It also invited a head-on confrontation with the trade union movement.

A growing number of economists have been arguing, of course, that real wages are too high. But their macro-economic perspective considers only national aggregates. Real wages have been going up rapidly — by 18.1 per cent in the year to April 1979, compared with 11.9 per cent the previous year. Adjusted for inflation, the index of real average ordinary time weekly earnings to April 1978 fell by 2.4 per cent; in the year to April 1979 they increased by 5.2 per cent.

But these statistics are gleaned by adding total wages and salaries and dividing them by the total work force. They ignore the way in which the money is distributed, and beg the question: are the big increases being earned at the top or the bottom? Or as one trade union leader complained — what right does a man now earning more than \$1000 a week have to stop drivers getting \$150 a week?

The drivers' award is complex; when overtime and allowances are accounted for, some drivers do rather nicely thank you, but those on the basic wage have been miserably paid.

If they had won their increase, however, other unions would have insisted on maintaining their relative advantage. The drivers' award is a springboard from which other unions take off into their negotiations. But that calls for an overhaul of the relativist theory as it applies to wage bargaining. Why should the drivers suffer because the system is faulty?

And what the drivers do get in wage increases will mean that a bigger proportion of their incomes goes in taxes. The Budget called for a 25 per cent increase in the tax take, which obviously means the Government expects a big contribution from fiscal drag effects.

Until the shift is made to indirect taxation providing the bulk of state revenues, the effects of inflation and fiscal drag must result in unions making bigger and bigger demands on behalf of their workers.

The trend-setting drivers' award did threaten to further boost an inflation rate which some have forecast will go as high as 18 per cent this year. And so the Government intervened. But it has been disconcertingly arbitrary in tampering with the wage bargaining process.

Last year it fixed wage rates for the freezing industry at a higher level than employers said they could afford (and chipped in with taxpayers' money to meet the difference); more recently it reduced pay increases granted to Cook Strait engineers. There have been warnings that free bargaining is not on if negotiators do not accept their responsibilities to "society as a whole"; but the level of wage increases that could be considered responsible has never been spelled out.

The drivers have discovered that an increase of 0.5 per cent in the basic wage, plus the 4.5 per cent general wage order, is responsible. At least for the drivers.

And for stepping beyond an undefined boundary line, employers as well as employees must suffer, because the Government has said it will prevent them — as far as it can — from recovering the increases through higher charges.

This week, some of the industrial repercussions are bound to become apparent — and after taking a back seat last week, Labour Minister Jim Bolger effectively will be left holding a gummy baby. The Prime Minister? Well, he'll be overseas putting his deft touch to some international problems.

Bob Edlin

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HEAR, hear, to George Gair. The Minister of Health while opening that National Acoustics Laboratory — was sounding off about some of his "pet hates".

Like that character in "The Mikado" who had a little list, Gair has one too. It includes:

- The vehicle — car or motorbike — which has been so adjusted as to produce the maximum noise as it accelerates through the traffic, loudly proclaiming to hell with the comfort of others, or the nation's efforts to save fuel costs;

• The eating establishment — "It certainly doesn't warrant the title restaurant" — where the level of noise from what claims to be music is even higher than the prices and renders conversation, if not digestion, well nigh impossible;

• The work place with sound levels obviously requiring hearing protection but in which one sees an evident indifference by management, unions and workers themselves in the failure of some to wear ear muffs or ear plugs to the inevitable hearing damage which must follow;

• The airport at which boarding passengers are asked to walk close to another aircraft revving its motors to full throttle preparatory to taxiing away for take-off;

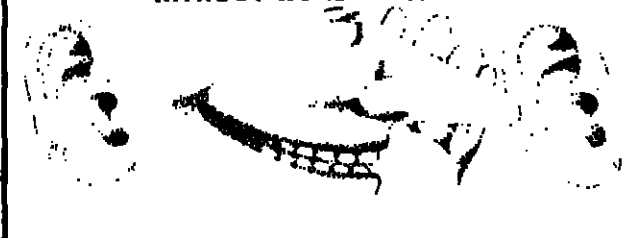
• The discos and the dances where the younger generation — as if already deaf — is subjected to noise levels of electronically amplified music which punishes the ear-drums of those with normal hearing not far short of torture.

In brief: "It seems to me that many of our hearing and associated tension problems are very much in the category of self-inflicted wounds."

THE Post Office has produced an up-to-date guide to postal services. It takes the form of a 12-page booklet and it is a particularly well designed piece featuring excellent typography.

It provides all the general information you're likely to

WITHOUT WORD OF A LIE



require about postal services as well as the principal postal charges for inland and overseas. But it still leaves us asking two questions.

At a time when Post Office charges have been raised to what most believe are excessive levels in order to meet future costs, why was it felt necessary to print this in full colour and how much would have been saved had it been printed in one colour only?

And does it communicate the information any more effectively because it is printed in colour? Using full colour for a utilitarian document seems to us a costly cosmetic exercise.

DOWNTOWN PSIS has been media-shy ever since the glow went out of its operations and Bob Stannard was called in to help sort things out.

NBR sought an interview last week with newly-appointed Financial Director Michael Norris, who takes up his office on October 1.

We were told the time was not appropriate...it was too early yet.

But surely, just a brief interview with the man who presumably will help get the PSIS back on the road to financial success? A profile...no need for him to give his views on the PSIS at all, if he doesn't want to.

Sorry, no deal.

Norris earlier had seemed willing to talk to us. But when he checked with his new bosses at the PSIS, "mum" was the word.

ONE Wellington organisation found cause for a chuckle a few weeks back when it decided to

send its staff to the World Trade Fair.

A hasty search through office drawers led to the retrieval of a pre-decimal currency two-section, 10-trip bus ticket.

Unused, the ticket bore the grand price of nine shillings. Quite a find, considering the same ticket costs about \$3.60 today.

Transport problems solved — all-in-all, a cheap outing on the organisation.

WERE you among those who delighted the other night in the television spectacle of Sir Edward Hillary and the rest of the team jetboating up the Ganges? It was splendid stuff.

The film was shot by three members of the expedition — Dr Mike Gill, of Auckland (producer-cameraman); Mike Dillon, an Australian filmmaker (director-cameraman); and Waaka Attewell a Wellington filmmaker (sound recordist-cameraman).

Dillon might be remembered as a man who previously had trekked hundreds of kilometres with 70lbs of camera gear on his back; he climbed to 18,000 feet; he slept in double sleeping bags with his camera to keep it from freezing; he helped negotiate the first-time filming of the private lives of Nepal's holy-holies — the living goddesses of Katmandu and Patan.

Indeed, Truth's staff; parently were given officials that the payments; ratched six figures. The devils went unreported; we can only wonder if he Truth came to its understanding.

But there was evidence to the same article that Truth might be susceptible to the occasional misunderstanding. TV and broadcasting are a drain on the "sucker tax payer", it complains in an attack on producers' insistence that television fees

Back in his native Australia day one is free to show his movies, provided they pass the censor. Just pay \$20 for a licence available to all, and you are free to compete with the biggest of them.

In this country, he found, the licensing authority in practice did not grant licences to exhibitors who would use local licence-holders.

THE junkheap of Journalism. Well, it's the Broadcast Corporation, according to the faithful old watchdog of public malfeasance, maladministration and malpractice NZ Truth.

"In general, the BCNZ is become a refuge for the incompetent and the inept," the paper declared the other day. That why so many libel cases have to be settled out of court — "a alarming list of libel suits which, Truth understands, has committed the BCNZ to payments to wronged persons of amounts well into six figures."

That's a hefty sum — but over which period of time was not specified.

Over one year? Hardly. The figure for the last year would be nearer to \$20,000, a particularly perturbing figure considering the potential for defaming someone in its broadcasting output from commercial, national concert radio stations, television channels, the Listener and Symphony Orchestra performances. It's good measure.

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fees be increased and tied to the Consumer Price Index.

If the argument is that licence fees are a burden on the taxpayer, then it's misleading. The licence fee is an annual charge on television set-owners who presumably use their sets to watch television programmes.

The \$45 a year for a colour set works out at 86c a week for seven days' viewing (compared with 90c a week for six daily newspapers if you subscribe to INL's Evening Post; which is better value for money is open to debate).

The producers wanted the licence fee geared to the CPI as a means of lessening the BCNZ vulnerability to political influence which results when Government fixes the fee.

The licence fee was last increased in January, 1975, at which time Truth's cover price was 20c. There have been two Truth price increases since then; the paper now sells for 30c.

For that money, the BCNZ provides each licence-holder with two days' viewing from a choice of two channels, plus all the radio listening you want thrown in for free.

If you want to install an antique telephone — or something that looks antique — our obliging friends at the Post Office are only too willing to help.

But if you happen to have equipment which is more modern than that available here — well, sorry, no go.

A Featherston businessman bought a more modern model telephone than is available here from the PO in the United States last year.

He then went through the rigmarole of applying for permission to have it installed in his office or home.

It took the Post Office some four months to ponder on what obviously was an unusual request. Then the businessman received his reply from the

Masteron district engineer, who apparently had been unable to cope with whatever decision-making difficulties were posed by the new-fangled gear from the States.

The matter had been referred to the Engineer-in-Chief, no less.

And his advice was that the Post Office does not permit the installation of privately owned telephones "with the exception of antique or simulated antiques".

Oh, and as a matter of by-the-way interest, the Post Office pointed out that "typically American phones have an unsatisfactory transmit level when used in the NZPO network".

WE are indebted to the Wicks committee on the Electoral Act for bringing into the general vocabulary a dateknownword — "inputted".

On Page 66 it says: "Inaccuracies contained in the address information there (the main electoral rolls) resulted in a series of errors when inputted into the programme producing the street index."

And on Page 78: "...once the information which it is required to hold for each elector has been satisfactorily inputted to the computer file."

WE note also the magisterial legitimacy given to the word "program".

WHEN staff working in INL's Press House found that blue asbestos had been used to line parts of the building, they became somewhat concerned for their health.

After all, blue asbestos is fast winning itself a nasty reputation for being an undesirable substance, what with being said to cause cancers of the fatal variety and so on.

So they insisted that management get rid of the stuff.

Management, we hear, has agreed — but obviously the work will be done at some cost, and so manager Jim Carney displayed just a hint of reluctance to bend too promptly to union demands when the question was broached.

Indeed, according to one account doing the rounds of journalists' pubs in the capital, he snorted that all the fuss had been created by a television programme some years ago and it was all unduly alarmist; indeed, to demonstrate his skepticism, he offered to eat some of the stuff.

WHAT'S bad news for some is good news for others, of course.

And so companies involved in eliminating asbestos-associated health hazards should do brisk business over the next year or so while unions are showing their sensitivity to the presence and use of asbestos.

Among those who are likely to cash in are Bestobell Engineering Products Ltd. News came to us last week that Bestobell, the sole New Zealand distributors, is importing a range of woven glass fabrics.

"We can foresee an increasing demand for alternatives such as our 'Marglass' range," said manager Rick Bettie.

Suitable for temperatures up to 550 degrees, only slightly below that of asbestos, Marglass products, made in England, are used in ships of the Royal Navy and Australian Navy.

The special glass yarns are blown into a lofted state during manufacture, "giving them excellent thermal insulation properties generally exceeding those of asbestos textiles," says the company.

WE believe that important changes to the liquor laws are likely to be recommended by the parliamentary select committee that has been looking into them.

What they might be we, of course, cannot reveal for to do so would be to breach parliamentary privilege.

But one change we think the Minister of Justice, Jim McLay, might be likely to support would be to extend the hours one can consume one's own wine in a bring-your-own restaurant.

We understand that when he went dining in Ohio's restaurant in Ponsonby a few weeks back the management delicately reminded him and his party at 11.30 p.m. that it was drinking up time.

A raid is a raid is the management's thinking on the subject. It takes no risks, even in such illustrious company.

ENERGY Minister Bill Birch's creditly went down a few points the other night.

He was addressing members of the Australasian Institute of Mining and Metallurgy at their annual dinner, and devoted most of his time to carless days and liquid fuel options. All ho-hum stuff to a bunch of experts, who were hoping for words of wisdom on the future of the enormous coal reserves, by far the largest of New Zealand's non-renewable energy resources.

Birch made his real blunder when he started to talk about the manufacture of synthetic coal. As one of those present put it: "Whenever anyone digs a hole — whether it's for oil, hydro sites, or general engineering investigations — they find coal. And Birch starts talking about synthetic coal."

Members assumed that the minister was referring to the synthesis of crude oil from coal. But in view of the nature of his audience, it was a more than unfortunate slip of the tongue.

THE oil supply problem is not an invention of the 1970s.

"This liquid fuel problem has got to be solved, and the

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Meet the perfect family car. It's got a new standard of comfort built to relax in. There's plenty of room inside, front and rear. The well-planned ventilation system keeps the air inside fresh. Its heater showers warm air down toward the floor so the whole car stays uniformly warm as well.

Driving Corona is relaxing too. The instruments are easily and instantly readable. The panoramic visibility a 306 degrees. And shifting, clutching and steering are light but firm.

Corona's standard of performance will match any sporty driving you want to do. Its 1,800cc engine with a 4-speed transmission will take Corona to a top speed of 160 km/h, and 0 to 100 km/h in just 15.4 seconds.

Corona is economical for a big family car. It rates 10.5 km/l (DIN) with its 1,800cc engine.

Corona's superior aerodynamics contribute greatly to its driving stability. As does its wide 1,350mm tread and coil-spring suspension on all four wheels — engineering that results in a stable, smooth and comfortable ride.

Coronas are built to last. Tough undercoatings, thick enamels and anti-rust treatments make Corona truly rust resistant. Plus, Toyota pays the attention to detail in production that makes certain each Corona is a top-quality car.

Toyota Corona is both a perfect family car and a fine touring car... thanks to Toyota engineering.

THINK IT OVER.

TOYOTA

DIMENSIONS Overall length: 4230mm Overall width: 1645mm Overall height: 1395mm Wheelbase: 2525mm Track: F: 1525mm R: 1500mm * Specifications and equipment may differ in your area.

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Apple growers get pip with monopoly market

Helen Vause

OUT in West Auckland's orchard district the men and women best versed in the business of growing apples are rapidly learning a new skill — the art of battling bureaucracy.

In a bitter struggle to break free from the controls of the Apple and Pear Board marketing monopoly the normally peaceful rural scene is broken with the clatter of typewriters churning out newsletters and submissions, the sound of angry voices reiterating the principles of free enterprise at almost daily meetings.

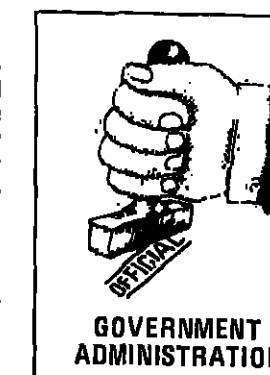
The newly formed Association of Independent Fruitmarketers is fighting for the right to compete with the Apple and Pear Board's monopoly of supply to the local market.

The 70-strong association wants the right to supply fruit directly to local retailers and the fruit markets.

Last week it launched a petition calling for this freedom and hope to collect at least 20,000 signatures before presenting it to Parliament next year.

The battle has been brewing for years (see NBR January 31), but with the formation of this group all interested parties have been forced to step up their pitch.

Under the regulations of the Apple and Pear Act, 1971, all growers must sell apples



destined for resale to the board only.

Growers can sell a maximum of two cases at the gate and they can deliver pre-ordered fruit direct to consumers within 65 kilometres of the orchard.

In theory therefore, the Apple and Pear Board controls the marketing pattern and price of all apples for resale from tree to fruit shop nationwide.

In practice though, only around 20 per cent of Auckland's crop has been going through the board.

Auckland growers are only a few kilometres from the biggest consumer market, the bulk of apples are bought either fresh from the gate or from a retailer via the thriving black market.

Broadly speaking, support for the board's marketing monopoly comes from the growing areas furthest from the large consumer markets.

Nevertheless large quantities of apples are smuggled out of Hawke's Bay to Auckland and Roturua-Tapu markets to cut out the board.

Last season the board attempted to curtail black marketing and gate sales. By offering higher prices to growers and lower prices to retailers it hoped to take the profit out of black marketing and to give the retail fruiterers a more competitive price situation.

He also claims the support of consumers following the results of a Heylen Poll conducted in July.

The poll shows that 77 per cent would prefer to buy from an orchard and only one per cent from places other than the orchard.

The poll concludes that "the main advantages of buying from an orchard are cheaper, fresher, longer lasting apples or pears offset by the disadvantages of having to travel to the orchard to make the purchase".

The main advantages of buying from retail outlets are convenience and minimal travelling, offset by the disadvantages of expense and lack of freshness.

That year expires very soon. Retailers were to have been able to be more competitive, able to offer apple varieties as soon as they were available at the orchard gate and to be ensured of supply.

Lowe wouldn't be drawn on how well this had worked out but in the past he has lobbied strongly for major changes in the marketing situation.

The Independent Fruitmarketers petition is their second to Parliament in a year.

The first resulted in a few kilometre extension to the distance growers can deliver pre-ordered fruit.

The second petition was launched at last week's meeting by Helensville MP Dale Jones.

He told the meeting: "There is a general move afoot to free up controls. Even if some controls are for our benefit they should at least be questioned."

"From your point of view the time is right to put your case — the call for free enterprise is now very strong", he said.

"It seems there is a place to compete against the board and surely the board has the strength to compete against a few growers in Ruapea."

While the independent group wants a removal of all restrictions on sales by growers who do not supply the board with any fruit for the local market, they also want the right to supply the board with export fruit since the board is the only exporting channel.

Alternatively they would call for the right to export fruit for themselves or through an agent.

They face some stiff opposition and not the least of it from the top ranks of the Fruitgrowers' Federation.

Auckland Federation director Horie Skelton said freeing the local market would be a retrograde step that would favour only some people.

He said a meeting of the federation's advisory committee on Monday endorsed "the controlled and orderly marketing system we have".

While that may be the official voice of the Fruitgrowers' Federation not all members see eye to eye on the marketing situation.

The independent group has been accused of being pre-occupied with self interest.

In a newsletter, group spokesman Brian Connolly

says the group wants to "provide an outlet and incentive for the traditional initiative and enterprise of growers who are willing and able to go out into the hurly-burly of the marketplace yet still respect the rights of those growers who prefer the protection of a statutory body."

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For sale: 1800 houses with buyers

by Cathy Strong

THE Electricity Department will be putting \$25,000,000 worth of houses on the market...but unlike others currently in the realty business, they expect to have ready buyers for all 1800 houses.

Starting in April, electricity workers will have the chance to buy the houses they now are required to live in and pay rent on.

The house purchase scheme has been the centre of a dispute by NZED employees for more than four years, but now it has agreement by the Public Service Association and the State Services Commission.

Only the fine details need to be worked out and it will be official.

The NZED's houses were valued at \$25,443,662 two years ago. But as many of them are in remote areas with no real market value it has been difficult to put out a scheme.

Employees wanted a chance to buy their houses and thereby develop capital equity for their old age.

Under the scheme, about 490 houses in metropolitan areas will be sold outright.

The employees living in the houses have first option to buy them — up to 12 months from implementation date.

The division apparently planned to get rid of those anyway, as employees can easily supply their own houses in the cities.

About 500 houses in rural or small-town areas will be sold, but later, if the employee-cum-houseowner finds he can't find someone to buy the house, the Crown promises to repurchase it.

The other 1000 houses are in remote areas, where a real market is hard to assess. (The only people who live there are those who are required to by their job.)

On these, the Crown promises to repurchase the houses, and also, the owner promises to give the Crown first option on repurchase.

A more difficult group is those houses that are attached or wired to an electricity substation.

These will get a nominal value and the employee can "buy" the house, but it must be "resold" to the division.

The valuation is a concocted one, but it gives the employee the chance to make improvements, ride inflation, and make the same amount of

equity that his brother in town is able to do. In addition to the houses' availability, the division is making sure mortgage money is available.

Housing Corporation terms will be the normal amount — 20 per cent deposit, prime rate 5 per cent, a 30 year repayment period.

But electricity workers will be entitled to a special suspensory loan to make up the 20 per cent deposit, up to \$8000.

After the first 12 months only 15 per cent will be available, but it is to be written off after 10 years if the buyer remains with the NZED and continues to occupy the house.

It is interest free, unless the buyer sells the house or leaves the NZED.

This special suspensory loan is transferable if the employee shifts locations and remains employed by the NZED.

The electricity workers agitated for four years for this scheme, and took it up every time rents went up on their departmental houses.

There are still some snags, such as working out the details for areas like Twizel, where the houses haven't been built yet.

Also, the PSA is to promise to continue the agreement to the electricity workers, but forestry workers are in a similar position of being required to live in departmental houses all their career lives. They undoubtedly will want a similar package.

But electricity workers are the only ones who held yearly strikes or strike-threats on the issue.

Milk industry slams Dairy Bd

THE Town Milk Industry — representing 1740 town milk producers, the New Zealand Federation of Milk Stations, and the Dominion Federation of Milk Vendors representing 80 per cent of vendors — has no love of Dairy Board UHT milk.

The industry claims that: ● The Dairy Board plans to put more than 6 million litres of flavoured UHT milk on the upper North Island market per year — hardly a "test-marketing trial", and in an environment less competitive than those existing in export markets.

● This amounts to 7 per cent of all liquid milk sold annually in Auckland — about equivalent to the gain won by major promotions of flavoured milk in Australia — not a test-market, but "a major onslaught".

● The price will be high — 50 cents per 500 ml carton has been mentioned.

"Through an export imperative, the Dairy Board initiative will hold a monopoly of flavoured milk — in one of the biggest markets in New Zealand...."

"We submit that this amounts to a massive distortion of the market if that operation takes place in the absence of competition from fresh flavoured milk."

The Federation of Milk Vendors has no connection with the National Union of Milk Vendors (whose submissions we reported last week).

For Sale

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Office and Warehouse space
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See page 10

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Auditor does his job

I REFER to your item headed "Auditors tone down attack" (NBR, August 15) wherein your reporter presents a picture of the Audit Office taking measures to, and I quote, "smooth over ruffled feelings" in the data processing division of the Health Department.

Although a layman in my understanding of the function of the Auditor General and his department it would seem to me that it should be of absolutely no consequence to the Audit Office that they should have ruffled the feelings of any spender of public money. In my naïveté, I had laboured under the impression that this was the precise function of the Audit Office.

That this particular data processing system was bought in the first place was a signal triumph for American computer salesmen and showed up an intolerable defect in fiscal control that \$28,000,000 of public expenditure could be committed, by a Minister outside Vote Health.

It has been said that this particular computer could easily encompass the tasks it is expected to do in New Zealand for a population equal to that of the British Isles. No wonder hospital boards are jibbing at being asked to replace existing efficient low cost systems to be engulfed by this monster.

Garth Powell
Auckland

Non-smokers win deal

Re: Your article August 22, 1979.

Quote: There's a spot of two timing afoot in this happy relationship between smoking and life assurance.

The following advertisement makes Metropolitan Life's position quite clear.

The telegram was intended to be cryptic as we considered that your reporter was likely to distort the facts and make mischief. It was clearly sent from Brown, Woolley & Graham by Messrs Brown and Woolley and should have been signed accordingly. My apologies for such oversight. I wonder whether you

deliberately recorded the 0.12 per cent Metropolitan Life shareholding in company shares to total assets to be mistaken for 12 per cent.

Maybe you would like to record that I have smoked for over 50 years; that I shall continue so to do; that I am the only director of Metropolitan Life who is currently smoking; that Metropolitan Life specialises in offering protection to all; that when offshore racing, I have determined that out of five non-smokers, the only five smokers, the only five members who were not seasick were the five smokers.

If I can be of further help in your research, please say so.

D S C Brown
Metropolitan Life.

Non-smokers deserve a better deal.

Metropolitan Life agrees... by cutting premiums on new policies by up to 16%

The advertisement shows a newspaper clipping with the headline "Non-smokers deserve a better deal." and sub-headline "Metropolitan Life agrees... by cutting premiums on new policies by up to 16%". The clipping also mentions "Liquid Fuels, page 7" and "Wage Rates, page 9".



Alternatives: pros and cons

I WISH to make three comments, each ignored in earlier articles and again in NBR August 1.

Milk Packaging, page 5: could it please be explained why we the consumers are not to be offered the freedom of choice between both glass and paper containers, or are we to assume that unless one is monopolistic it is not 'economic'? Incidentally, bottles do not weigh more than their contents, a standard bottle weighs 1 kilogram and contains 800 grams of milk.

Liquid Fuels, page 7: yet another article on the complications, pros, cons and con tricks of the alternatives' but never a debate of methods by which we, as a nation, should prepare to make do with less.

Wage Rates, page 9: throughout all the media comparison is made between gross wage increases and CPI

increases, which are met by net wages. I have a decade of personal records as a salaried employee and theoretical records of a 'typical' carpenter and both show an inexorable drop, in real terms, of take-home pay.

Bernard H Merwood
Matakana

PAYE cuts mean jobs?

OFFICIALS of the Inland Revenue Department were recently reported to the effect that some people could not pay their taxes because they could not make ends meet, and that the office of employers' not paying PAYE becomes more noticeable during tighter economic conditions.

That is only to be expected. Arguing from first principles one can predict that a tax on all wages will lead to both unemployment and a need for more taxes.

There is only one reason for going into business—to make a profit. Employers are prepared to offer \$125 a week gross and some prospective job-seekers are prepared to accept \$100 in take-home pay, but customers are not prepared to go above \$125 to give the employer a profit.

Because there is no profit to an employer in giving more employment, there is unemployment; because there is unemployment, there is a need for more taxation to pay a dole.

CP
Papatoetoe South
Naukahi

If, however, in the tighter economic conditions employers were able to take on new workers at the cost of their labour, unemployment would be reduced, as there are employers who could profit if they could pay \$100 for labour, but they must pay \$125.

As \$100 is more the dole, the unemployed men would create purchasing power in the community, which would create a demand for production, which would create more jobs for unemployed.

If wages and salaries were defined as what a man takes home rather than as what employer, it is possible, along the lines to avoid most of the unemployment in a wage-giving work and purchasing power to unemployed; that employers to make that are a condition of hiring men; that gross profits to other businesses, the new worker's \$125 more than his \$100 payment; that costs nothing in lost taxes; new men in work were paying PAYE while a dole; that increases from the higher gross greater profits; and further effectively revenue by reducing payments.

Papps: workaholic sits on 28 company boards

by Mary Varnham

ACCORDING to the American best seller "Power and How to Get It", the one sure sign of success is having a corner office on a high floor.

The corner office occupied by solicitor and company director Lyn M. Papps is on the ninth floor of Wellington's Europa House. It's also large and sunny, with sweeping views of the city's business district and the harbour beyond.

While the 59 year old Papps is not widely known outside business and financial circles, within them he is considered one of the country's most successful men.

Appointed chairman of UEB on the retirement of Sir James Dalgelys in August of this year, he is chairman of another 14 companies, deputy chairman of one and a director of 12 more.

The grand total of 28 companies which he has a major hand in controlling includes some of the country's biggest.

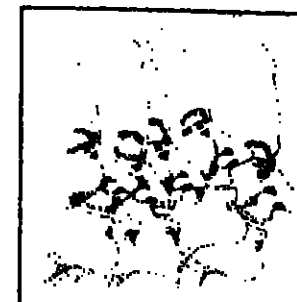
He is chairman of Odins, Dalgelys, New Zealand Motor Corporation, Zip Holdings, Bonds, director of ANZ Banking Group and New Zealand United Corporation, for a start.

Activities in which he's involved range from insurance and investment banking through engineering, industrial machinery, carpet manufacturing, cosmetics and hosiery to freight forwarding and stock and station agenting.

How, quite simply, does he cope, not only with the workload but with the demands of understanding such a multifarious range of businesses?

"My legal training probably comes in useful. As a solicitor I had to jump from one thing to the next pretty quickly. I've never had any trouble doing that."

A self-confessed workaholic, Papps, known to his many



PROFILE

friends and colleagues as Lyn, sometimes rises as early as four in the morning to start work. It's often the only time he has to make a dent in the stacks of company reports, memos, backgrounders and other papers which daily flood his desk. His work days are filled with meetings, phone calls, letters.

Each letter has to be politely answered. For shareholders, and often for the public, a company's board of directors is the conduit between them and the company's affairs. A good chairman must be conversant with what's going on, be prepared to explain and, if need be, defend it.

Papps stresses, however, that he's careful about making public statements.

"I like to consult with the chief executive of the company first. He's got a more detailed knowledge than I can have as an outside chairman. He spends his whole time with one company. I spend mine with more than 20 different companies."

While Papps makes statements if the question is "purely policy", he feels those of a technical or managerial nature are more appropriately dealt with by the chief executive.

Papps was born in Auckland, the son of a school teacher. He attended New Plymouth Boys High and later entered Vic-

toria University law school. His goal — a career in the colonial service. His studies were interrupted by World War II and he served with the New Zealand army in the Pacific arena.

Four years in the tropics were enough to convince him that colonial service was not for him. He returned to Victoria, completed his law degree and, in 1946, joined the prestigious Wellington law firm of Bell Gully and Co.

He has been there ever since and has the distinction of being the firm's second longest serving member. But, while a senior partner, he has not practised law for many years. In 1961, having developed a keen interest in business, he started moving into the realm of full-time company directorship. It's a decision he's never regretted.

"The best thing about it is that I'm self-employed, my own master. In 29 years, I've never worked for anybody."

Papps has seen a lot of changes in those 29 years. Boards of directors have, he says, become much more efficient — and effective. The old days of members of the family, old boys network, everything done at the Wellington Club, have almost disappeared.

"We get down to business more. We get far more monthly financial and other information. Ten years ago it was pretty scrappy. Today we describe what information we want and we get it. We can make more informed decisions."

While computer science and advances in information retrieval systems have had a lot to do with it, the stimulus has been an increasingly tough financial marketplace.

"Most public companies today realise the need to have good people on their boards. The shareholder and the financial world look at the composition of the board to decide whether it's a good



LYN PAPPS...three decades of enthusiasm

company to buy shares in, or lend money to."

Boards in New Zealand have traditionally been of the older statesman variety. Does Papps see changes here too? A wider age spread?

"Boards are getting younger. We seek to get chaps in their 40s and 50s."

"But," he adds, "experience is important."

"You take a gamble getting a young fellow on a board. He needs to have been successful in his profession or business. You find out as much as you can about him but you still can't be sure he's going to fit in. Board members can argue as much as they like as long as they get on together."

Papps' ideal board would, he says after some deliberation, consist of one or two men in their 40s, three or four in their 50s and three in their 60s.

A question about women directors, and the lack of them here, is left unanswered.

One point about which Papps is insistent, is that chairmen of companies should not outstay their usefulness.

"Ten years is plenty. After that a chairman should get off and let a new person, with new ideas, take over."

Interestingly, Papps never deals with legal matters in his capacity as a director. This would, he says, be a conflict of interest.

"I'm not on a board to give legal advice. If a legal opinion is needed, I always have the matter referred to the company solicitors."

"If I gave advice and the company solicitors said it was wrong, where would the board be?"

Conflict of interest is an ever-present consideration for a person involved in as many different companies as Papps is. While he says such situations rarely arise, when they do he is careful to declare his position and absent himself from decision making.

"What makes it all worthwhile?"

"I'm a strong believer in private enterprise," he says. "It's an almost shy understatement from a very forthright man."

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National beats BNZ at airline card game

by Warren Berryman

BRITISH Airways has become the first airline operating in this country to sign with a local bank to accept Visa Card.

The airline signed with the National Bank after rejecting an offer from its own bankers, the Bank of New Zealand.

Now it has broken the deadlock, other airlines are likely to follow suit.

Current attitudes among the airlines suggest that the National Bank is likely to beat the BNZ to the Visa Card business.

BNZ angered airlines by demanding Visa commissions far higher than those paid overseas. Airline spokesmen claim the BNZ has adopted a "high-handed, take-it-or-leave-it, civil service attitude" in its dealings with them over Visa Cards (NBR August 22, 1979).

By contrast, these spokesmen say, the National Bank has approached them as a salesman willing to listen to their side of the story and accommodate them with a deal.

The BNZ first asked British Airways for a commission rate of 2.75 per cent. Then National Bank entered the market with its own Visa Card and offered commissions of 1.9 per cent, which the BNZ eventually matched.

The airline was then paying commission on Visa to overseas banks.

The BNZ's demands for higher commissions than those charged overseas vis-a-vis other airlines paralleled the case.

As a result, airlines would accept Visa, but only if cleared through overseas banks at lower commission rates. This meant that commissions were remitted overseas rather than remain in New Zealand.

The airline had an international arrangement with Bank of America for Visa Card acceptance. It asked the BNZ if it would become Bank of America's sub agent — at Bank of America's commission rate. The BNZ refused. National accepted.

National's commission rate to be paid to National Bank are understood to be between 1 and 1.5 per cent.

National Bank now acts as a sub-agent for Bank of America.

The BNZ had a clause in its Visa contract, absent in the National Bank contract, demanding that the airlines underwrite the liability of the travel agents, should these travel agents accept Visa Cards.

Travel agents have resisted accepting Visa Cards, because the commissions paid to the banks would have to come out of their own pockets.

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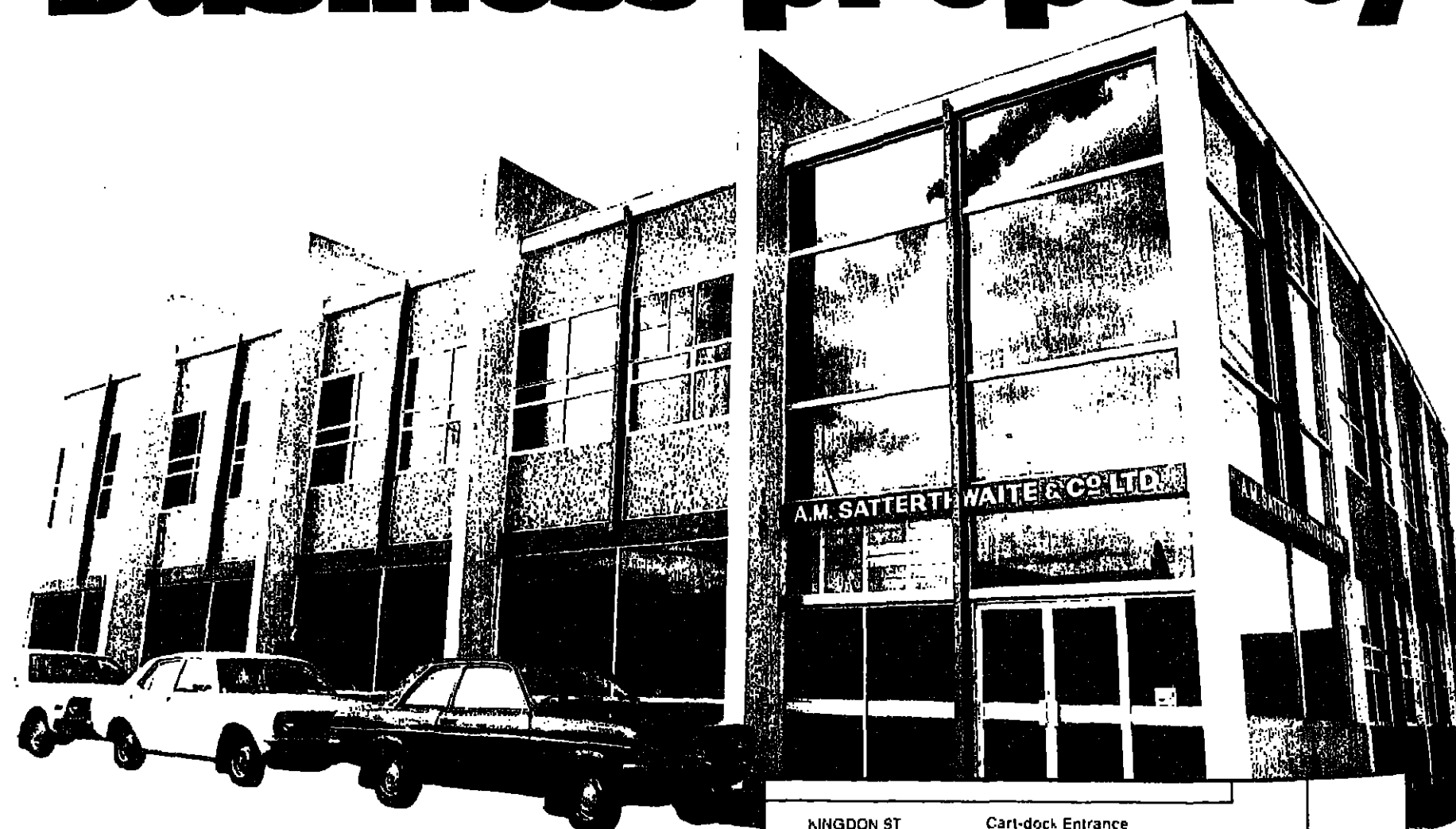
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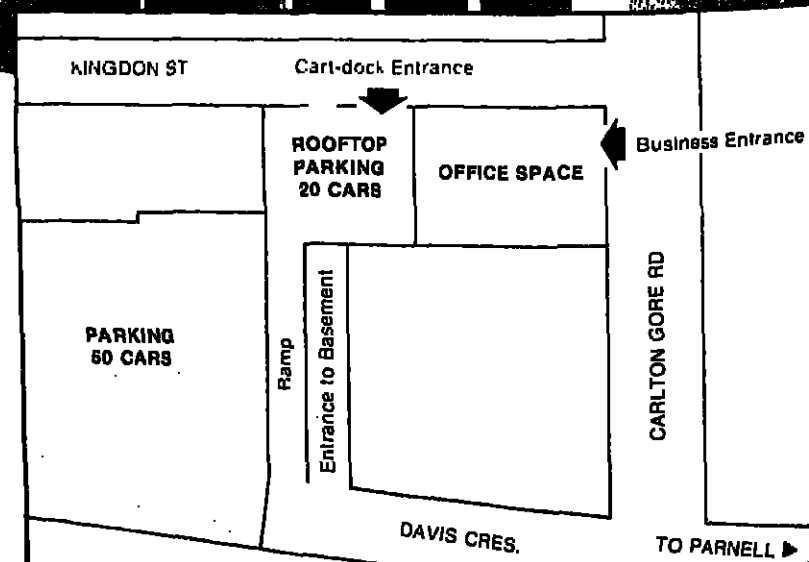
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Eleventh hour reform halts Chile trade ban

by John Draper in Santiago

A LAST minute programme of labour reforms restoring wage bargaining and limited trade union rights has saved Chile's ruling military junta from the threat of an international trade blockade.

Only New Zealand's Federation of Labour is persisting with its 1974 trade boycott. Though according to FOL information, various unions throughout Europe and South America are taking action — but not on a co-ordinated basis.

On September 10 the International Confederation of Free Trade Unions (ICFTU) initiated a week of industrial action in protest against the Chile regime with affiliates in Europe, Canada, central America, Australia and New Zealand among those participating.

An 18-month campaign by the American AFL-CIO labour front, backed discreetly by the United States Government and supported by ORIT, the pan American trade union organisation, has wrung the concessions from General Augusto Pinochet's military Government.

Already trade unions are pushing for big pay rises, claiming 120 per cent of the increase in the cost of living index, about 4 per cent a quarter, and the updating of allowances.

Chilean workers, in all but a few key areas, now have the right to belong to a trade union. It can be formed in any work place where 25 workers, or not less than 10 per cent of the work force, agree.

On farms and other places where there are less than 25 workers, eight must want to form a union for it to be recognised.

Multi-company unions and independent workers unions can also be recognised.

But trade union federations and confederations are expressly prohibited from taking part in wage negotiations by the new laws.

The right to strike is severely curtailed. Unions filing a wage claim must get a reply from an employer within a certain time limit or the claim must be automatically granted.

But a union can not call a strike until 30 days after the claim has been filed and negotiations filed.

If there is no settlement in a further 30 days, an employer

can engage temporary workers. At the end of 60 days the permanent work force can be dismissed and replaced.

Wage bargaining is being gradually introduced on an alphabetical system which some observers claim is leaving the difficult awards to last.

So far since bargaining began in mid-August there have been no strikes.

Once awards are settled, unions can call elections for officers for the first time since 1973, the sham elections of last year excepted.

Those elections were hastily organised by the Government at four days notice as ORIT's first deadline for reforms expired.

At a meeting in December, ORIT found the reforms unacceptable and extended the deadline for a trade blockade to June 30.

Clearly worried, the military junta sacked the right wing Labour Minister appointing Pnera, a 30-year-old economist, who immediately promised to introduce a labour programme.

In the first week of July as ORIT's second deadline expired, Pnera announced a six-part package outlining the Government's industrial law.

Further modifications to the law are thought to be unlikely. The Government has stated there will be no changes except for "technical details".

Not surprisingly, surviving trade union leaders are against the reforms. The "Group of Ten" are leading the opposition supported by the AFL-CIO and pressing for more concessions.

And their call prompted ORIT, when it met in Caracas in July to consider Chile, to recommend a one week trade boycott this month.

The call is unlikely to be heeded by many unions as the meeting was without a quorum.

In New Zealand, the question of the trade ban now rests firmly with the FOL as the only member of the International Confederation of Free Trade Unions still effectively applying the ban as recommended in 1974.

Many members never did apply the ban, some regarding it as unworkable. For others it was illegal to do so.

Australia lifted its ban in 1978 and has already sold an estimated \$20 million of goods to Chile.

New Zealand exporters mounted a campaign in

February to get the ban lifted. But without success. And in July there was a hint that the Government might be prepared to soft pedal on the general wage order legislation if the FOL agreed to lift the ban.

The ban is hurting. But Chile remains untouched. A trickle of New Zealand exports, estimated by reliable sources at around \$2 million a year and growing, are finding a way around the barriers but the big opportunities are being missed.

In 1978 Chile imported 10,000 tonnes of butter from the European Economic Community. Another 10,000 tonnes were imported in the first six months of 1979. Together with 10,000 tonnes of imported cheeses New Zealand is missing a potential \$100 million plus market for dairy products alone.

Claims by the FOL that it is not alone in applying a trade ban are not borne out either by the trade figures or a walk around Santiago's shops.

Chile trades with Russia, China, Japan, the United States of America, Australia, Eastern and Western Europe among others.

Shopping in Santiago is a temptation for any New Zealander escaping from behind the import barriers.

Chile's own 10 per cent tariff on most imported goods permits the small but rapidly growing wealthy elite the choice of goods from around the world.

Cameras, radios, colour televisions and cameras from leading manufacturers, leather from Italy, perfumes and haute couture from Paris, gourmet foods from Britain and Continental Europe as well as the latest European and Japanese cars.

That the goods are only enjoyed by the elite of Santiago's plush suburbs is not disputed. It is part of the country's economic plan implemented by the "Chicago boys" versed in Milton Friedman's monetary theory.

The removal of trade barriers, incentives for investors from overseas and the pool of unemployed living in wooden shacks and huts, the barrios, around the city boundaries are also part of the plan.

Economic restructuring for those at the bottom of the heap is painful. The removal of trade barriers has sent many Chilean firms to the wall particularly in the textile industry and contributed to the 20 per cent un- and under-employment.

But incentives for foreign investors has already brought 51 international giants to Chile in the last 18 months lured by 100 per cent profit remissions overseas.

The giants like Goodyear and Exxon from the United States — and at the other end of the scale the South America New Zealand Trading Company — are attracted to what is probably the most laissez faire economy in the world.

Sanz executive director Mike Fitzgerald is already installed in offices in Santiago and doing business.

Sanz is a consortium of New Zealand companies registered earlier this year. Another branch has also been opened in Kuala Lumpur.

Fitzgerald admits that many companies invited to subscribe were not interested in doing so other than to become apparent that the FOL would not lift its ban. But Chile still wants to trade with New Zealand, due in part to a happy relationship dating back to the 1960s.

New Zealanders were then responsible for establishing a

dairy industry in the Osorno region sponsored by the World Bank. And in another aid project New Zealanders investigated and tested geothermal resources in Northern Chile.

In the early 1970s when aid projects were being considered by the Labour Government, Chile topped the list. Allende's overthrow caused it to be reshaped and sent to Peru.

Climatically, Chile and New Zealand have a lot in common. And in agriculture it is the New Zealand style of development the Chileans are interested in adapting.

Forestry also offers considerable scope for New Zealand expertise. Sanz will be trading generally throughout South America, buying and selling where it can, using Santiago as its base.

Fitzgerald says Chile is the easiest country in South America to work from and though others, such as Brazil, offer good opportunities for joint ventures in manufacturing, the costs of operating are much higher.

Keeping a representative in Brazil can cost \$450,000 a year. Already Sanz has one contract worth around \$8 million within its grasp and Fitzgerald says there is no shortage of opportunities.

Politically, there is unlikely to be any foreseeable change in Chile. Pinochet is rapidly taking on the appearance of a Franco though some political manoeuvrings point to a certain amount of control being exercised by an 18-man council of generals.

Several civilians are in the Government including 30-year-old George Pnera as Labour Minister who is responsible for the recent reforms.

A new constitution is being worked out for presentation to the people in a referendum originally scheduled for later this year. It now seems unlikely to be before 1980.

The labour plan was originally meant to be part of the constitution to be put before the people but it has already been implemented.

Pinochet, when he took over, made it plain that he expected the military to stay in control for at least 25 years to give Chile a new direction.

And it seems he intends to become the "elected" President next year.

The new constitution will give the junta powers to appoint a Parliament, which will then be asked to confirm Pinochet as president.

Politically the country still seems as divided as in 1970 when Allende was able to head a coalition Government with only 35 per cent of the vote.

In a surprise move, the junta allowed the country's 28,000 students to hold elections this year. Political labels were banned but analysts, who like the students had little difficulty in determining the political sympathies of the candidates, estimate that the junta collected around 30 per cent of the vote. The Socialists and Christian Democrats each got another 30 per cent.

Internationally, the country is no longer the leper. Pinochet will be making a state visit to Japan "at a time

mutually convenient to both Governments", probably later this year.

And Britain which recalled its ambassador after the torture of Dr Sheila Cassidy by the secret police, is expected to send an ambassador back to Santiago later this year.

Chile is a country full of contradictions.

Pinochet seen abroad as the hard-faced general is said to have the stamina and manner of a Jimmy Carter, always out meeting the people and virtually electioneering.

Today, the populist daily paper in Santiago and the Government's most vociferous surviving critic in print, has been suspended for three weeks for going just too far.

But it advertises in the rival and semi-official El Mercurio and has launched a "Friends of Iloy" to support the staff. That the paper will reappear seemed virtually beyond doubt.

After the atrocities and horrors of the military takeover and its harsh economic regime, observers claim life is improving even for the poorest Chileans.

A meagre unemployment payment, admittedly way below the cost of living, is paid by the State to all those that register.

Strong family ties, where one \$100 a month job is feeding many mouths, has also helped the poor get through the worst.

Observers admit that for many, the improvement is no more than the difference between "starving and being hungry". But they claim, even that is an improvement.

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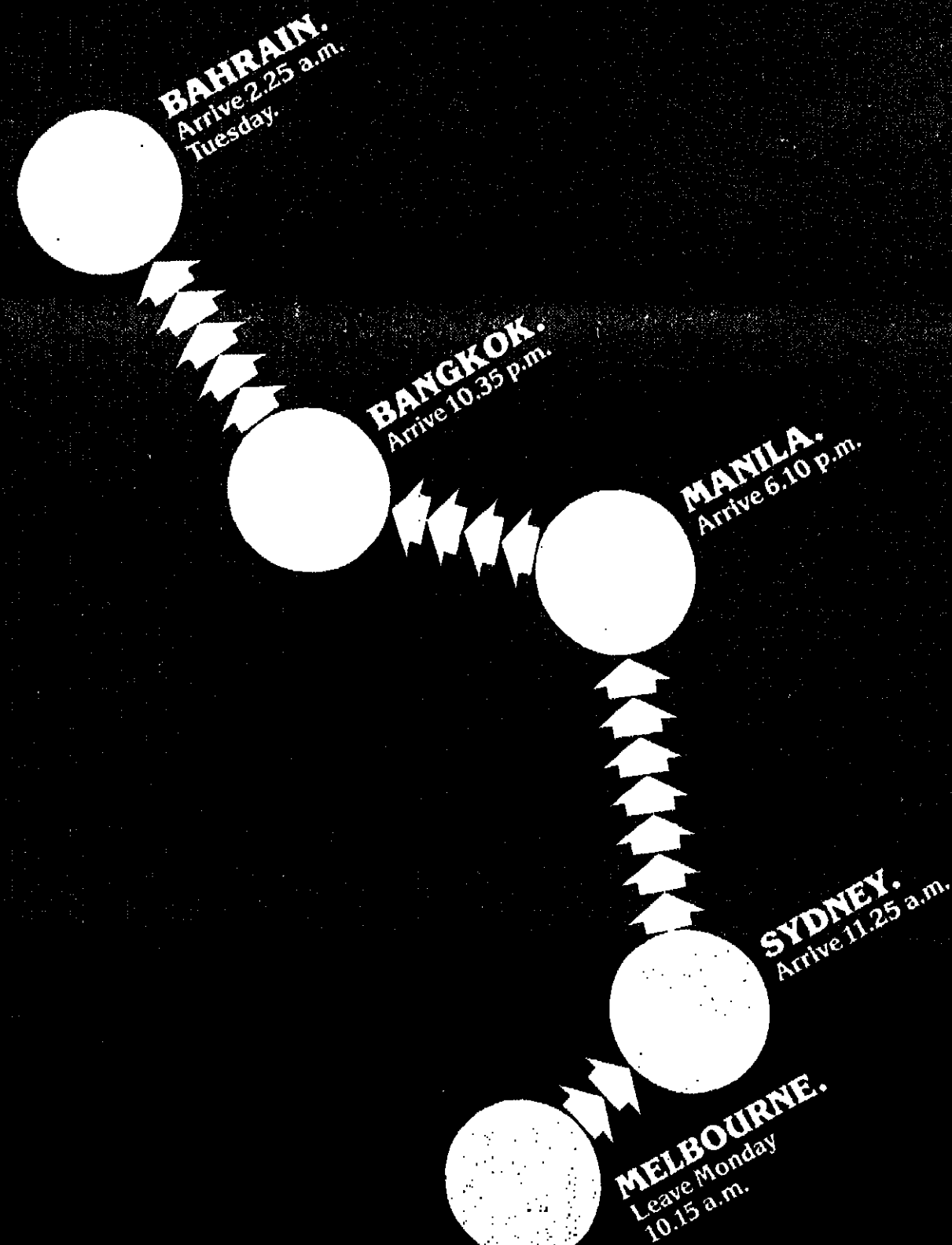
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Invention negotiators protect cancer cure

by Warren Berryman

THE Development Finance Corporation, the other day negotiated with a multi-billion dollar American pharmaceutical company over licence rights for that company to test and market a cancer drug developed by the Auckland division of the Cancer Society of New Zealand.

Two pharmaceutical companies, Warner-Lambert and Bristol Myers are vying for licence rights to m-AMSA, a chemo-therapy agent developed by New Zealand organic chemist Dr Bruce Cain.

A licence agreement with either company could result in: world-wide sales; bring New Zealand millions of dollars in overseas exchange; further enhance this country's reputation for pharmaceutical research; and involve Cain's team in a shared technology agreement with one of the

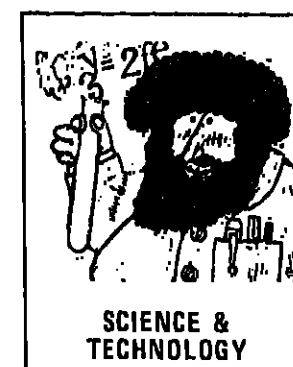
world's pharmaceutical giants. (see NBR September 5, 1979).

Successful negotiations would also be a milestone for the DFC's applied technology programme people who have only recently extended their activities to licensing local inventions.

Owen McShane, the DFC's negotiator and manager of the Applied Technology Programme (Northern Region), said too few New Zealand companies were aware of the advantages of licensing. Fewer still knew how to go about getting the best possible licence deal.

The main benefit from licensing, he said, was quick access to world markets using distribution systems and sales techniques beyond the capability of most New Zealand companies.

Speed was of greater essence than most companies realised.



SCIENCE & TECHNOLOGY

McShane said, some just looked at the life of their patents when they should be looking at the life of their technology. Due to rapidly advancing technology a product's life could be far shorter than the patent rights protecting it.

In electronics, he said, the commercial or technical life of a product could be as short as three years.

For most local firms the prospect of development and marketing from New Zealand

would not result in maximum market penetration of the invention — the product would be superseded before it got to first base.

A licence agreement with a foreign firm would bring the inventor feedback from foreign markets without the expense of establishing an overseas base.

A licence agreement also had the advantages of avoiding foreign tariffs, material supply problems, and manufacturing controls imposed by foreign governments.

In high technology areas one of the greatest benefits of licensing, McShane said, was in the area of technological exchange between licencees and licence-holder.

Many New Zealand companies were woefully ignorant of how to go about getting the best deal from a licensee, McShane said. For example, many companies did not realise they should ask for a front end fee of about 25 per cent of royalties and fees at their projected maximum

level when signing the licence agreement, he said.

These front end fees and royalties could provide the New Zealand firm with funds for both business expansion and further research, he said.

Several of the advantages of licensing are manifest in the case of the Cancer Society's anti-cancer drug, m-AMSA.

A cancer drug usually takes about six to eight years to develop to a marketable stage. Clinical testing can cost millions of dollars. After which the pharmaceutical company must publicise the drug and make it known and acceptable to the world-wide medical community.

The financial resources involved in such a venture are probably beyond the reach of any New Zealand company — much less the Cancer Society.

From a humanitarian standpoint, the sooner the testing of this drug to prove or disprove its worth the better. If these tests are successful a large pharmaceutical company can distribute it far wider

and sooner than could a New Zealand company.

Drugs often have a limited commercial life before they are superseded by something better. In this case m-AMSA could well be superseded by one of its analogues also developed by Cain.

As regards putting m-AMSA on the United States market, there are strict guarantees and regulatory procedures involved which might be handled by a large American company more easily than by a New Zealand organisation.

The royalty and fees flowing into the Cancer Society could be used to further research — though these funds, if and when they eventually — have yet to be earmarked for any specific purpose.

A licence agreement between either American pharmaceutical company and the Cancer Society would probably involve a long-term technological exchange agreement between the Americans and Cain's team of researchers.

DFC commercialises state-based technology

THE DFC's applied technology programme is about three years old.

One part of the programme's brief was to commercialise Government-sourced technology through licensing.

More than 30 licences have been negotiated — more than three-quarters of these Government-sourced technology.

But now private companies are providing the licensing team with the bulk of the work, programme manager Owen McShane said. It now has 15 private firms on the books currently seeking a licensee.

The programme will act as licensing agent for private companies whether they are DFC financed or not.

For the service, the DFC charges commissions from 15 to 30 per cent of all royalties and fees received.

A 30 per cent commission on all royalties received in per-

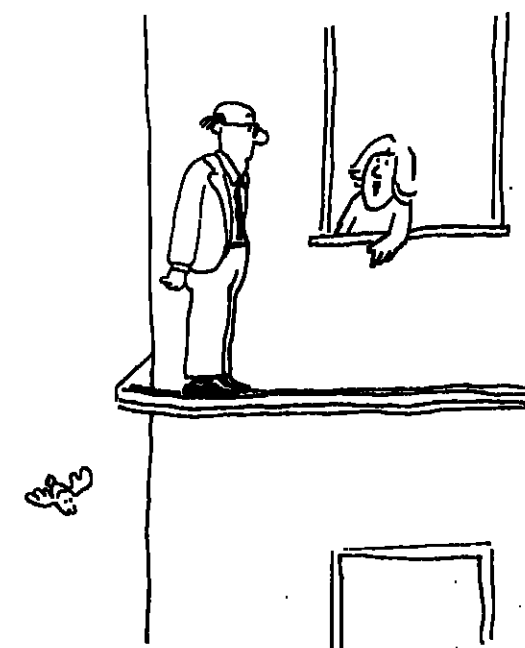
petuity might seem a bit steep. But McShane said overseas licensing agents charged from 30 to 50 per cent.

He explained that the inventor gained the financial muscle of the DFC which might be needed to protect his invention from patent encroachment.

The DFC's commission might be split with one or more outside licensing agents in search of the right licensee.

Licence arrangements were usually made through personal contacts, McShane said.

While the DFC's licensing operations are still in an embryonic stage, it has been busy establishing technological exchange agreements with research organisations in Hong Kong and Singapore and then international agencies, as well as building up its working relationship with American pharmaceutical companies.



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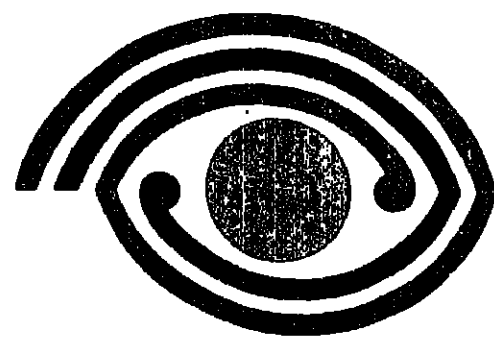
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Bay Sun shines out

TAURANGA'S free newspaper, the Bay Sun, became a twice-weekly paper in August as part of a development programme which has seen a rise in both circulation and pageings.

The paper now has the largest circulation, paid or free, in the Bay of Plenty region.

The Sun was launched four years ago by Tauranga printer Don Kale, of Rugby Review fame.

Kale had previously printed the Mirror a Tauranga paper which had prospered as a free weekly but quickly failed when it attempted to become a daily in 1974.

A printer rather than a publisher, Kale entered the market out of a conviction that the prosperous Tauranga region could support more than the existing daily evening paper the Bay of Plenty Times and community papers at Mount Maunganui and Te Puke.

David Basham of the Te Puke Times had the chance to publish the Sun.

"All he wanted was to print it," Basham said.

In May 1979, Basham formed a syndicate of three to take over his own paper and the Bay Sun. Together with Ilex Appleby (sales manager) and Zella Morrison (office manager) they launched Bay Sun Ltd.



DAVID BASHAM... free circulation.

The new company acquired the Te Puke Times publishing rights and in August merged in the Sun's new Tuesday edition.

The Te Puke paper, previously an eight cents paid weekly, had shown steady circulation growth, rising from an ABC audit of 1591 in 1968 to 2536 in 1978. But Basham's experience with the Times during the days of the difficulties of competing against a free circulation.

"I was getting pretty worried about the Mirror in Te Puke," he said. "It was increasingly difficult to sell advertising even though the Times rate was cheaper."

The Mirror's failure dogged the early days of the Sun. Thought of as a fly-by-night paper by some, confused with the Mirror by many, and using the same printer and even some of the old Mirror staff, the Sun had a hard time getting started.

But it is now a prosperous tabloid, averaging 28 pages on Tuesdays and 40 on Saturdays.

Sun editor Lance Morcom, who was on the Mirror for its last six weeks, then spent time in Auckland on the Western Leader and City News, said the paper's policy was to steer clear of gutter reporting, and emphasise local stories.

Under the new ownership, the paper's resources have been increased, with new offices in Tauranga, a Te Puke branch office, an increase in editorial staff and the acquisition of modern typesetting equipment.

Don Kale Printing Co. Ltd., which retains the printing contract, has just installed a four-unit web offset with an additional trichromatic unit.

Circulation, currently 25,300, has been expanded so that the Sun now covers all homes between Katikati, Tauranga, and Te Puke, with special deliveries organised to every rural dwelling, hospital patients, and retail premises.

The end of the Te Puke paper was initially a shock to the local citizens, but Basham said that support there for the Sun was strong, especially in advertising sales.

The difficulties any paid community paper faces are demonstrated by the fact that the Sun now has almost twice the well-produced Times had at its death.

Basham said that future prospects for the Sun look exciting.

The Bay of Plenty, which is the country's fastest growing region after Auckland, is expected to continue this growth for the rest of the century and to be the eighth largest population grouping by 1986.

With this prosperity coming from diversified areas including intensive farming, horticulture, forestry, land transport, and shipping, Basham said he had a strong



local economy on which to base his confidence.

"We are here to stay," he said.

Agency comes into Focus

FOCUS Advertising and Marketing Limited is a new Wellington advertising agency, headed by Chris Sharp who spent the last eight years with Ogilvy & Mather. During that time he managed successfully the Adelaide and Wellington offices. Before that he worked six years with USP

Needham in Brisbane, Sydney and Melbourne offices.

Co-founder Brian Bennett is a former pharmacist and an alumnus of Brierley Investments where he was manager of City Realities and a board member of some of the Brierley group companies.

With them are Joanna Mears who worked for three years for Japan's second largest agency, Hakuhodo (the only foreigner on the 2700 staff) and Simon Carr, McCann Erickson, who is both an actor and writer.

Focus, which plans a future as a complete service agency, has secured its first account in Challenge Finance. "As financial advertising is one of the areas where we have considerable experience, we have made it one of our early goals," Sharp told Admark.

Knock copy draws fire

WE APPLAUD the practice of advertising agencies advertising their own services. In doing so, they are endorsing the advice they give their clients. They are affirming

and demonstrating their own beliefs.

We are particularly gratified when any agency selects our paper as a medium because agencies know how to reach a target market with the greatest degree of efficiency.

So we feel a little sad when compelled to criticise an agency ad which appeared in our columns. The Ogilvy & Mather full page which appeared in NBR August 22 was headed "Confessions of an advertising agency." It set out to tell some of the company's "trade secrets" and contained some succinct, and apposite advice about the structure of advertising.

It also contained what we describe as knocking copy. Examples: "95 per cent of all advertising is created ad hoc. Most products lack any consistent image from one year to another." "... most advertising is impersonal, detached, cold and dull." "... most advertising for new products fails to exploit the opportunity that genuine news provides."

"Most advertising campaigns are too complicated. By attempting too many things, they achieve nothing."

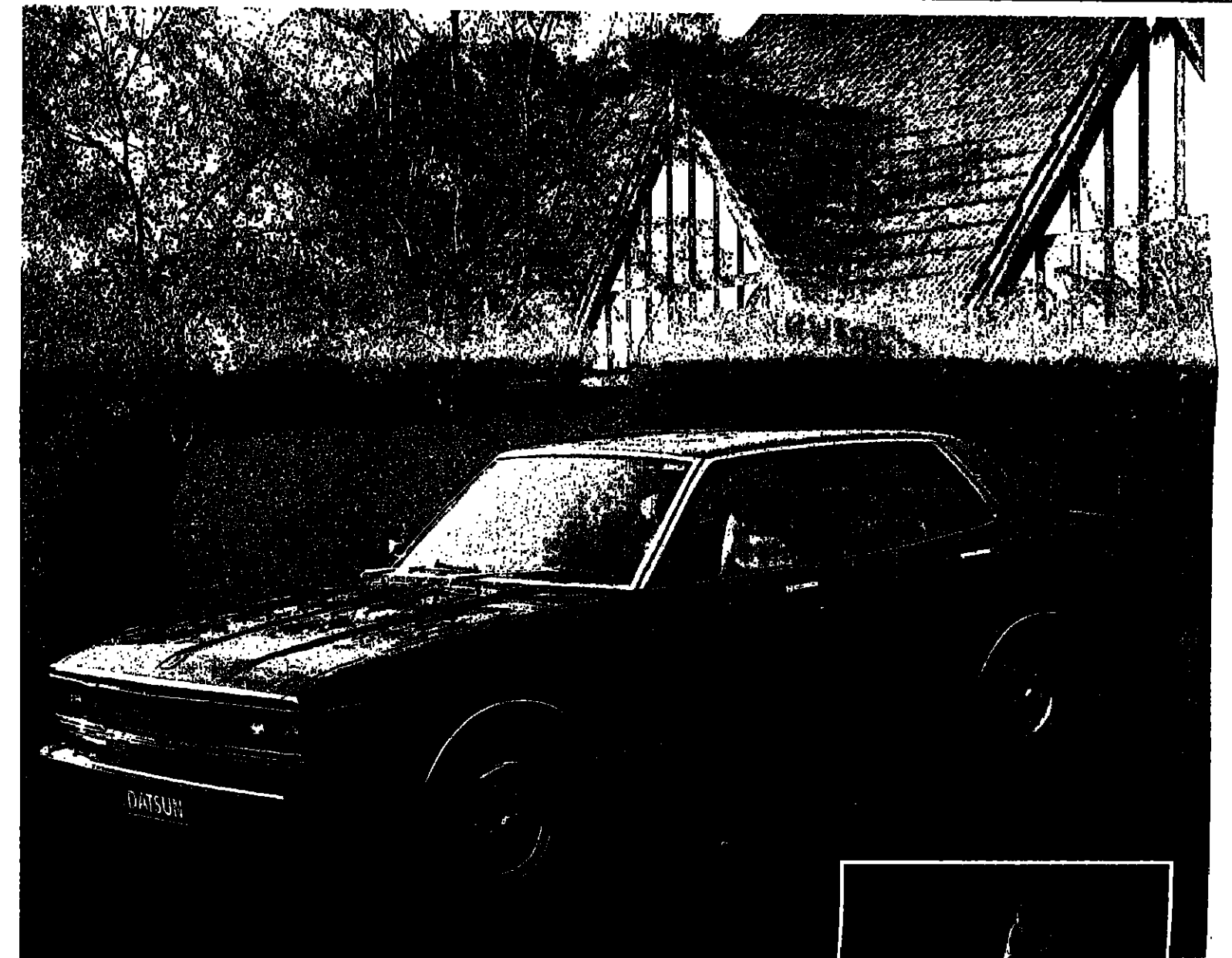
We argue that if you apply the tar-brush to "most" of the products in a category, then the whole category is blackened and your product with it. In this case, if you harm the corpus of advertising, you must suffer yourself. Knocking copy is counter-productive.

If all the generalisations quoted above are true, then most advertising is a waste of money. We willingly believe that some advertising is a waste of money just as some advertising is guilty of the O & M charges.

But taken in toto, the statements are demonstrably wrong. They deny the competence of many advertising agencies who have proved their worth on the score of results achieved for their clients.

We believe the ad would have been more convincing if it had stayed with a strong positive note throughout.

We'd like to say to O & M's managing director, Martyn Turner, that we're certainly not anxious to bite the hand that feeds us. But this is a newspaper that deals with business affairs and we feel we have a job to do, too.



**DATSUN
200BZX**
the Real 2-litre

Economy, power, prestige
... and all the fringe benefits.

This is the Datsun four-cylinder mastery in a powerful new executive capacity. Datsun 200BZX - the real 2-litre.

It's a luxury package that delivers real value-for-money in every way. From discreetly up-to-date good looks to elegant interior furnishings and appointments. From two-litre, 82kW (110 bhp) power-to-spare, to the quiet, smooth, enjoyable ride that comes with variable-ratio steering, chunky radials and four-wheel independent suspension.

Datsun 200BZX is all this, plus unbeatable high gear-mileage and renowned Datsun reliability. A two-litre luxury sedan that delivers the greatest economy of all... quality.

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Datsun 200BZX goes further in comfort and convenience with these standard luxury features: plush velour buttoned seats; Landsdown cut-pile carpet, door-to-door, and in the boot; driver's door mirror; remote boot release; centre console box; front and rear map pockets; multiple ashtrays; passenger vanity mirror; tachometer; ammeter; oil pressure gauge; digital quartz clock; intermittent windshield wipers; front and rear centre armrests; gold styled wheels; wide radial tyres; variable-ratio steering; tilt-adjust column; four-wheel independent suspension; power brakes; tinted glass all-round....



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Commission adds weight to film industry

by Belinda Gillespie

THE Film Commission has considered over 90 film projects since it began work as an interim body in 1977. About 30 of these have been helped in various ways, 40 have either been declined or lapsed, and others are under consideration.

The commission's working capital, \$500,000 a year of it, comes from lottery profits and is guaranteed until the end of 1981.

Already into its second financial year of the three year period for which the Lottery Control Board has assured

financial support, the commission has yet to hear whether the period will be extended.

But there is general confidence at the commission that the variety of films backed over the period, and the good public response, will ensure that means are found to continue.

Films are one area of the arts where the Government has modestly increased its stake in recent years. The interim Film Commission received \$100,000 for its earlier work in 1977-78, also from lottery profits. The Department of Internal Affairs, which

stands the running costs of the commission, increased its vote in the 1979 Budget to \$120,000 for 1979-80, from \$55,000 the previous year — though actual expenditure was \$82,000.

Before the Film Commission Act was passed in November 1978, the interim body under Chairman Bill Sheat had been advising the Government on the legislation, establishing guidelines for developing the film industry and trying to build private investor confidence in the new area.

Arts Minister Allan Highet said of the new law that it "provides for a fully independent statutory authority

which will play a major role in developing the local film industry." It would encourage by financial and other means the making, promotion, distribution and exhibition of New Zealand films.

The commission has powers under the Act to support films through the chain of script development, pre-production, production and marketing.

Its main criteria in considering projects are significant New Zealand content, and financial viability — so it favours projects where New Zealanders have determining roles in the main phases of film-making, and considers market appeal and practicability of works, as well as their effectiveness on screen.

The possibility of co-productions with overseas interests is part of the commission's role, as well as looking for international distribution for the films with which it is involved.

There are seven members of the commission, under Chairman Bill Sheat. He is a Lower Hutt solicitor and former chairman of the Arts Council, who has been involved in feature-film production since 1964.

Pacific Films' John O'Shea, who has himself produced and directed three feature films, is Sheat's deputy.

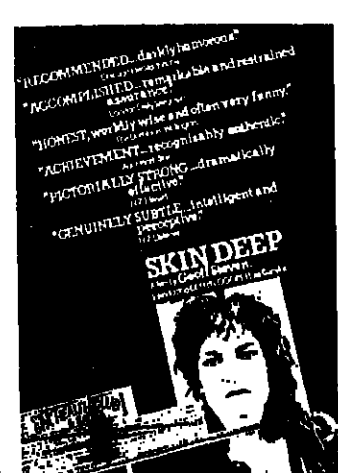
Other members are Royce Moodabe, managing director of Amalgamated Theatres, Merv Corner, a member of the New Zealand Lottery Board, David Gascoigne, and Davina Whitehouse, with the Secretary of Internal Affairs holding an ex-officio position.

There are four staff members, including director Don Blakeney and Lindsay Shelton as head of marketing and information.

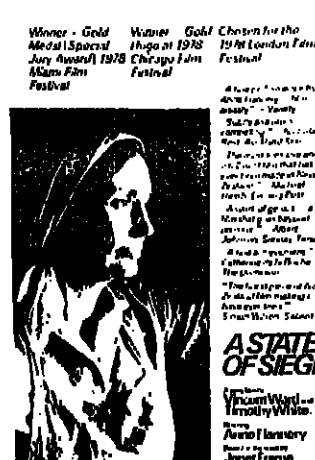
Overseas marketing activities, according to Shelton, are now directed at selling New Zealand films for television, where the greatest profits lie.

Sales made at the annual MIP-TV market in Cannes this year are likely to total more than \$200,000 when all the contracts are finalised.

The figure includes contacts made by the commission, by



MIDDLE AGE SPREAD



independent producers who took their own films to the market, by Television One and by the National Film Unit.

South Pacific Television marketed its programmes separately, under the Thana Television umbrella.

Top-selling films included "Off the Edge", "A State of Siege", and "Skin Deep".

The commission represented independent film makers at the market, as well as films which it had a financial stake, and will participate on the same terms again next year.

Financial help from the commission comes in the form of no-interest loans to cover script development and pre-production costs, which are generally converted into investments when the film goes into production. If it fails to off the ground, the loan is turned into a non-refundable grant.

The commission gives financial help to films actually in production by investing in terms negotiated with the producer and private investors — terms which are supposed to give strong incentives to investors to back local productions, while giving a solid base for the producer's company.

The commission's stake is generally below 40 per cent of the total budget, and it makes loans for the promotion and distribution of films.

Beside providing public cash, an important part of the Film Commission's role is to help film-makers raise private money. Lindsay Shelton pointed out that pre-commission features "Sleeping Dogs" and "Skins" were backed by private investors, but in each case the sources proved a once, and the companies who made them were left high and dry at their completion.

The commission aims to provide financial expertise and on-going support for a generation of film-makers — which no longer has financial means to support film-making ventures.

'Creative disagreement' between film chiefs

by Belinda Gillespie

IF the production lives up to its promise, "Sons for the Return Home" the Film Commission's latest and largest investment has everything going for it.

With a working budget of \$300,000 a year, and hoping to back up to five features each year, the Film Commission's stake in the movie is probably between \$80,000 and \$100,000.

Marketing manager Lindsay Shelton says the commission doesn't make a practice of announcing figures. If a film goes out with a price-tag on it, overseas buyers may adjust their offers accordingly.

"The loving, the fighting, the parties, the promises, the rage, the desire," says the promotional leaflet.

The film is based on a book by Albert Wendt, the love story of a Samoan youth and a European girl, now in its sixth reprint.

Wendt's themes are key issues of the times — race relations, immigration, and cultural identity.

Director Paul Maunder has high hopes for his film.

"The difficulty is to make a feature film which is both popular in New Zealand, and has overseas appeal," he said.

Films which worked here were often too thin in content for the overseas market. But the unique feature of New Zealand society was the interaction of cultures, he points out.

And with this as its focus, "Sons for the Return Home" gets away from mere parochial matters and has the potential to arouse interest on the world market, he believes.

The international locations of the film — London, Western Samoa, and New Zealand — add to its cosmopolitan flavour.

Maunder's other work includes the television drama

"Gone up North for a while", and the award-winning feature film, "Landfall".

He has a background in theatre and is known as an actors' producer capable of getting powerful performances out of his cast.

Maunder himself did all the necessary spadework for "Sons", including the screen adaptation of the book and establishing a relationship with the Western-Samoan Government, whose co-operation in the film was essential.

Finance came from the Film Commission, private investors, and substantial investment "in kind" from the Western Samoan Government, Todd Motors, and other organisations.

At Maunder's invitation, John O'Shea of Pacific Films, became producer. O'Shea is a member of the Film Commission, whose name is synonymous with the film industry in New Zealand.

Scheduled for release at Labour Weekend, "Sons for the Return Home" might not have made it for the plum October 19 opening time, if O'Shea had had his way.

He wanted it delayed until 1980 or re-editing, but the Film Commission decided to go ahead and meet its commitments with the distributors, Kerridge Odeon.

O'Shea withdrew from the film.

O'Shea preferred not to give his reasons for withdrawal.

But he said that the fact that his name and that of Pacific Films were not on the credits or any of the promotional material for it spoke for itself.

There had been more "distancing" between O'Shea and the director of the film, Paul Maunder, than was customary in such a relationship, and "at a distance one can't function as producer."

O'Shea emphasised that the film had his full backing, and mentioned its "many good qualities," which are in no way compromised by his withdrawal.

He referred also to Maunder's considerable artistic abilities and promising film work for the National Film Unit and television.

Bill Sheat, chairman of the Film Commission, withheld comment on what appeared to be a raw spot. Indeed, he insisted that NBR not record that a conversation on the subject had taken place.

The relationship between producer and director is traditionally fraught with difficulties, according to an industry source, who mentioned a "creative disagreement" between the two.

Generally the producer is the driving force behind a film. But in this case Maunder, the director, had initiated and got the film off the ground.

Disagreements relating to the fine points of how the film

should be put together caused O'Shea to move out of what he regarded as the other man's film.

The situation was complicated by O'Shea's status as a veteran of the industry and a member of the Film Commission — though while involved in "Sons for the Return Home", he said, he stood aside from his commission role, and functioned as any other producer in relation to the film, in which he has no financial interest.

While the film-going public probably would regard the breach between producer and director of "Sons for the Return Home" as a matter of only passing interest, the matter appears to loom large among those within the industry.

Many expressed reluctance to discuss it publicly on the grounds that it might undermine the success of the film.

The increasing artistic and commercial viability of recent



LEAD ACTORS...sons for the Return Home

New Zealand feature films — such as Sleeping Dogs, Skin Deep, State of Siege and Middle Age Spread — suggests to a more objective view that films made here are hardening off from rare, protected blooms to more robust plants able to withstand the chilly winds of the market place.

With a hard act to follow after the commercial success of "Middle Age Spread", Maunder is hopeful that his film, with its greater breadth,

will do as well or better. The industry, he says, is in a trial period for feature films — those within it are working in a climate of maximum good will, "for love not money".

New Zealand films, he points out, have to stand the same technical costs as overseas productions with multi-million dollar budgets.

Costs are cut through personnel who work for next to no financial return, and through limiting the scope of films.

"LEGAS" the most advanced legal accounting system in New Zealand

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Participation... key to greater productivity



N.Z. case-studies in important, new management methods

"It is imperative that we re-orient our work organizations to the radically changed circumstances we face as a country."

So says Roy McLennan, senior lecturer in Business Administration at Victoria University, and editor of *Participation & Change in the New Zealand Workplace*. This important new book is intended to help New Zealanders develop insight into 'methods' which can transform the performance of our enterprises, and the satisfaction people get out of their work.

In a highly readable introduction, McLennan explains how participation and change, or 'Organization Development', works in theory... then three New Zealand pilot studies show what happens in practice as well.

Participation & Change in the New Zealand Workplace, published by Fourth Estate Books, only \$4.95 at all good bookshops, or direct from Fourth Estate Books, P.O. Box 9344, Wellington. (See Fourth Estate Subscription Service coupon elsewhere in this issue.)

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Monocoustic panels set the limits for thermal and acoustic insulation. For installation costs. For damage and replacement costs.

Light, thick, AHI Monocoustic ceiling panels. LIGHTNESS means simple, speedy installation. Quick easy shaping around ducts and fittings. AHI Monocoustic paneling is one of the lightest systems available. Designed to stay up once it's been put up. Therefore also one of the safest.

Building code NZS4203 controls seismic bracing standards for suspended ceilings. If anything does come down it mustn't come down with a crash. So Monocoustic's a load off your mind — and off your pocket. There's no expensive, rigid bracing required.

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Acoustic insulation dampens sound within a room, making an office, a meeting room, even public places so much quieter. Easier to work in. Better for everybody's concentration.

The lowered noise level also means it's quieter in the room next door. However, there's another side to Monocoustic panels. The one facing the room.

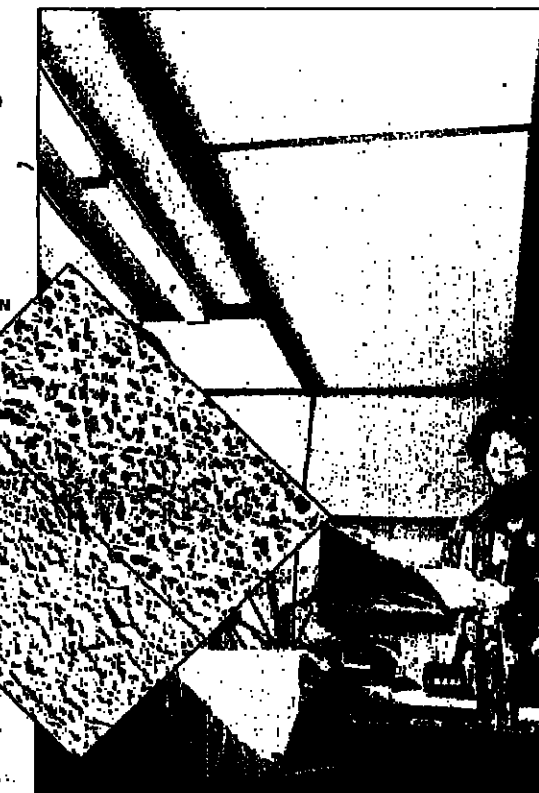
Looks good too. An attractive, textured vinyl surface that gives good light reflection. A very important factor in offices and other working places.

A surface that cleans quickly and cheaply with a damp cloth and soapy water. And never needs painting.

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develops into million-dollar forestry business

Kitchen is no intellectual

Then he took three months holiday, during which he read some of Bill Sutch's nationalistic economic books. From them he got the idea that New Zealand should not im-



The next stage was a feasibility study, for which the Taupo firm of J G Groome Associates, was called in. Groomes had already looked at the block the trust now has on behalf of some local bodies. Kitchin himself was supported by the union for three months

deposit-overdraft business generated by the trust, it has brought in additional account holders — trust members who had not felt the need for a bank account before.

Another early backer was Duncan Macintyre, then Minister for Hastings and Minister of Forests.

It is owned by about 115 trust members, who among them hold about 442,000 shares.

the money. In fact, many of their wages, or all except expenses, in shares. Roughly \$12,000 shares were "bought" in this way in the 1978-79 year. They go up to cul some

like slackers undermining their enterprise. In return they learn a skill, get paid and, because the trust has a rule that one-tenth of all wages are paid in shares, start to build up



Cornelius says: "We are a business. All decisions are made on a business basis."

of n

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business

men

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Said one executive:

SRG reported: "There exists a definite tendency for the businessman and professional to categorize magazines into those that *must be read* from a business/professional point of view, and those that are for *leisure time reading*. For many business

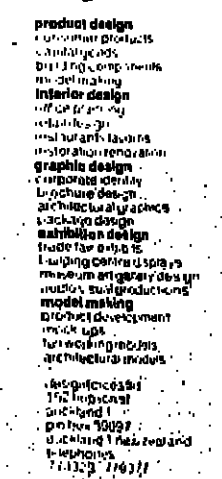
SRG reported that all the respondents had an emotional attachment to the Digest. They spoke of it with warmth and familiarity. To them there is no alternative, no other publication that offers the same important features.

The executives surveyed represented many nationalities and they were engaged in a wide variety of occupations. Further information on this survey will be supplied upon request.

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Conference pitches 'quality' in marketing bid

by Bob Stoll

THE Meat Board's disagreement with meat exporter Waitaki, which wanted to use non-conference ABC Lines to ship to Europe, has prompted a re-examination of the reasons for the long-standing relationship between the producer boards and the UK Conference.

A conference is a getting-together of shipping lines serving a particular trade.

The lines agree to provide a regular service on the basis of an agreed rate structure and at the same time fight off outside competition.

Conferences seen by many as monopolistic—over the years have been the subject of close examination.

The Commission of Inquiry into New Zealand Shipping, set up in May 1970, produced a 301-page report in June 1971.

Chaired by R. D. Jamieson SM, the committee concluded: "If one considers New Zealand's geographical

position and the enormous distances over which bulky products have to be carried by specialised and up-to-date carriers, one can only conclude that the conference has served New Zealand well."

Quoting liberally from I. G. Stewart's book "The Ships that Serve New Zealand", the Committee of Inquiry's report notes that the conference system is thought to have originated about 1875, when a conference was formed in the Calcutta trade.

By that time there were too many ships in the trade to carry available cargo and competition was such as to drive many from the trade.

The survivors found it was to their mutual advantage to reach an understanding.

Stewart says that as early as 1875 Shaw Savill, the Albion Line and the NZ Shipping Company had agreed on uniform freight rates, while by 1879 a further agreement on the carriage of wool and mutton had been reached.

With a conference, says the report, sailings can be planned in advance and at regular and convenient intervals.

The lines in the group are assured of a certain quantity of cargo and can therefore more readily estimate the amount of tonnage necessary for present and future requirements.

"Huge amounts of capital are required for the building of modern efficient ships...the ships that are required are fast long-distance refrigerated carriers...they are essential to

the New Zealand trade. Standardised freight rates simplify costing for the owners of cargo carried...conferences pride themselves on the fact that all shippers receive equal treatment irrespective of the size of their shipments."

The report notes that there is no scope for price competition among members of the conference and concedes that purists who still believe that free competition in terms of price should exist under all circumstances will naturally disapprove of a conference and set up the cry of "monopoly."

"Bearing in mind New Zealand's inability to provide all the ships which she requires to carry her produce around the world, the seasonal necessity for some price stability in a type of business which, unless regulated, is subject to sudden and large swings in price, such arguments lose much of their force."

The report quotes Stewart as saying that although rates are agreed on, there is still competition among members of conferences. But the competition is confined to quality of service.

Stewart suggests that this competitive field remains wide, since membership is usually international.

He points out, too, that should a conference fix its freight rates at too high a level, the resulting dissatisfaction of shippers may attract competition from outside. The only way to discourage this is by keeping rates down.

Stewart suggests that by and large shipping rates find their own level.

The 1971 report does not regard outside competition as a great force in the case of the NZ—UK conference, because competition can come only from owners who have available the "fast-up-to-date efficient refrigerated vessels which the New Zealand trade requires."

It says: "Those who at this point think of the case of fruit exports should remember that fruit is a special case. It requires a particular form of refrigeration, and there are in the world refrigerated ships designed specifically for the carriage of fruit. If the trades for which they have been built and upon which they are normally employed are seasonal, and their off-season fits in with the period during which New Zealand fruit is to move around the world, then obviously such ships may be able to provide a very acceptable service to New Zealand."

"Such ships may be able to offer lower rates than the general purpose refrigerators chiefly required for the New Zealand trade. Price competition is therefore possible in that case. It should be noted, however, that here again it is not price alone which will determine the matter. The quality of the service also comes into it."

"We agree with the view that despite the pros and cons of the conference system, no critic of it has yet suggested a workable alternative arrangement which can provide what a shipper from New Zealand needs most—high-class specialised ships, regular sailings to ports as scheduled, whether the ship is full or half full, and a stable freight rate."

Dairy Board general manager, Bernie Knowles, addressing the 1978 annual conference of the Chartered Institute of Transport, listed a number of requirements from a transport user's point of view...to be regarded as a customer with all that implied, to have a convenient service, one with a high degree of certainty, one compatible with



BERNIE KNOWLES... certainty is asset.

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all modes, one that is cheap and also credible. And this was the most important thing—cost?

Said Knowles: "If I have choice of important factors would be that of cost. The conference system is a great asset, of course, a certainty."

As the Commission of Inquiry reported, it offers service which is planned in advance, at standardised freight rates, open to all irrespective of the size of their shipments and with the participants competing on grounds of quality, ship price.

A good quality service wanted far more than a cheap service by most export/importers.

As far as price is concerned, producer boards in New Zealand have long been open to freight rate negotiators unlike the situation in Australia where only one has this been done.

It could well be for this reason that the rate for carcase lamb to the UK is typically \$440 from New Zealand and \$370 from Australia.

But because the conference lines offer a good service (a generally accepted point) at a reasonable price, the situation is not as simple as it seems.

There have been many cases over the 100-year history of conferences of outside lines pushing in.

A fairly recent case affecting New Zealand was the 1960s, when the NZ decided to secure a share of our trade and market outside the conference.

They offered a good service at competitive rates, secure cargo...and accepted an invitation to join the NZ. Whether the benefits were as much as performance is a moot point.

If an outside service is 10 per cent of export to Britain, the established lines would see each year carrying 10 per cent less, earning 10 per cent less, with no decrease in operating costs.

There would have been either a rate increase or a reduction in service, and the lines reduced their rates to what they do with other ships in an over-crowded world?

The producer boards and other big shippers are aware of these problems. It would be understandable if they preferred to stick with the devil they know.

Marketing International, though enough without setting workable arrangements.

There's another way of looking at the problem—that freezing works, stores and so on have limited storage capacity. If internal transport is up a roster for shipping, it avoids two ships arriving at the same berth at once, making a demand for full cargo.

It makes sense to have a producer board at regular intervals to avoid bottlenecks in the distribution chain.

Accept this, and you're on the way to establishing a conference.

State corporations ignore public interest

Economica Correspondent

AIR New Zealand solicitor M. J. Neville made news recently when he told the Air Services Licensing Authority in Auckland that the airline "doesn't look only at this nebulous thing called public interest" when it considers the amount it charges passengers.

Air New Zealand was then successful in its application for an 11.25 per cent increase in domestic fares.

It seems like every time a traveller gets on a domestic flight, the fare goes up. And even though Air New Zealand is 100 per cent Government-owned and rightfully all taxpayers are shareholders, the public may never know the full story of why it has been necessary for the airline to increase its fare by so much so often.

In its submissions before the Air Services Licensing Authority in Auckland, Air New Zealand claimed that it was "a private company that has a business to operate".

The Licensing Authority granted its request to withhold a profit statement for the airline's domestic services and its 1978-79 budget from the press.

What Air New Zealand means when it claims to be a private company is unclear. A private company is a company formed by a small number of persons, usually between two and 25. It is the most common

form of business organisation for the smaller trader.

Air New Zealand is hardly what could be called a "smaller trader". Further, its shareholders number many more than 25.

Large traders usually register as public companies. These companies are called public companies because they open their shares to the wider public. But they are still privately owned, rather than owned by the entire public.

All public companies are required under the Companies Act to publish annual financial statements.

An important principle in the Companies Act legislation is that protection of shareholders, creditors and the general public is guaranteed by the fullest practicable disclosure of information concerning the activities of companies.

The annual financial statements of companies in the private sector are required by law to exhibit a true and complete account of a company's affairs and transactions.

In fact, the Companies Act goes so far as to prescribe the form of presentation a company's annual report must take. And companies are required to present comparative figures for the previous year.

But while the Government has clearly laid down the law for companies in the private sector, it does not always follow its own prescription when it comes to Government-owned companies.

Apparently, the public needs protection from the actions of private sector companies but should rest assured that the Government corporations will always look after the public interest.

Just what is in the public's interest is hard to know, as the Air New Zealand case illustrates.

Is it in the public's interest that internal air fares are kept low or is it more in the public's interest for Air New Zealand to make a profit?

Politicians and the public seem to have an ambivalent attitude toward the making of profits by Government trading companies.

When a company like Air New Zealand makes a profit, it could be that fares are excessive.

Or it could be a sign that management is efficient.

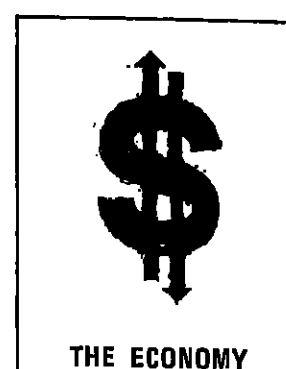
Neville seems to regard a profit as an indication that the company is acting in a business-like manner, whatever that means.

The Railways provide an interesting counter-example. When the Railways make a loss, it could be because of a desire to keep fares low in the public interest. But lately, some politicians have instead suggested that losses by the Railways are a sign of inefficiency.

Since this Government took office, State trading enterprises have been expected to make profits.

To help the enterprises along, the Government has raised charges.

There are several



THE ECONOMY

justifications to charge for the provision of Government services. Charging can act as a rationing device to prevent the wastage of a product. For example, if there was no charge for visiting the doctor, people might have a tendency to waste his time with minor ailments.

The existence of prices allows the Government a market indicator to determine the demand for a particular good or service. When the Government needs to make choices between various services, it can adjust prices to reflect the quantity of services it is able to provide.

Economists argue that to ensure that all resources are put to their best use in an economy, it is necessary to charge the users of any good or service the full cost of providing that particular good or service.

Finally, when it is possible to establish a clear relationship between the private benefits from consumption of a good or service and the charges levied

for it, financing by way of user charges is a more painless system than financing from general revenue such as taxation.

The Government naturally finances those things from taxation where it is unclear who benefits. For example, education may benefit people other than students (it has external benefits) so it is financed out of taxation.

Electricity and air travel, however, are clearly private goods.

Those people who pay for those services benefit from them. So the charges for the services of the Ministry of Energy Resources and Air New Zealand should perhaps reflect the user pays principle, but should these Government trading departments make a profit?

To answer this question, the taxpayer must be able to analyse the financial statements of Government corporations.

Unfortunately, the accounting practices employed

by some Government trading undertakings give rise to profit figures which are somewhat suspect.

In addition, accounting practices vary between Government trading undertakings so that it is not possible to compare the profit figures reported by different trading activities.

One common practice is not to charge a Government trading enterprise interest on its capital advances when its profits are low. This is one method used in the past to show profits for the Tourist Hotel Corporation even when the department would have shown a loss under normal accounting practices.

All Government trading departments, including Air New Zealand, usually publish annual reports.

These reports are tabled in Parliament about this time of the year, that is in August and September.

NEXT WEEK: Economic correspondent analyses the annual report of the Ministry of Energy.

A member of the public who is interested in judging for himself whether the Government is running its enterprises in the best public interest, may buy annual reports from the Government Printer.

But it may be some time before said members of the public can fully understand what is going on from the annual reports.

And, if Air New Zealand is anything to go by, it appears that Government corporations like things they way they are.

While members of the public are pawing through accounting texts trying to understand if increased charges are justified, they won't have the energy to fight internal airfare increases, electricity bulk charge increases and increases in postal charges.

These reports are tabled in Parliament about this time of the year, that is in August and September.

NEXT WEEK: Economic correspondent analyses the annual report of the Ministry of Energy.

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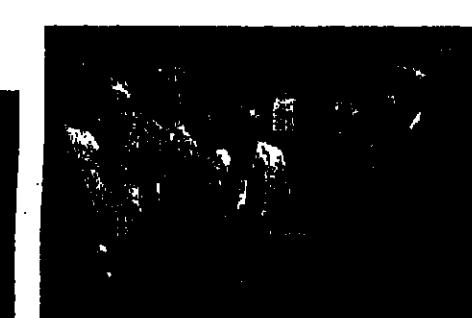
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NBR BUSINESS WEEK

Financial advertising up for control exercise

by Peter V O'Brien

THE Securities Commission's 126 page tome — Background Paper on Financial Advertising Control was released last week as a guide for those who want to make submissions on proposed regulation to control financial advertising.

The background paper contains the commission's suggestions on broad areas of activity which could be looked at by those making submissions, who should indicate their intention to the commission by September 30. (If the commission continues to

issue "backgrounders" of this size its records space will need extension.)

The background paper (available from the commission for \$10) is too extensive for detailed examination in an article, but some sections are worth comment. Referring to offers of securities to the public, the document says:

"Those who make offers to the public take pains to develop a good name — a warm public image. They do it by advertisements, but more subtly perhaps by 'inspired' programmes on radio and television and by agreeable references in the press. What is here to come under legal control? Amongst those who know the financial scene, an intensified campaign of image-building is a well recognised danger signal. Do we broadcast that fact, and leave it there — or do we want a law upon it, and if so, what law?"

"There is a lot of money in all this. Advertising is a substantial source of revenue for the media, for advertising agents, mailing agencies and public relations consultants.

We will consult with them. "We would like to hear from others. Examples of practices regarded as objectionable will interest us — we are collecting some — and would like more."

The question of these preliminary "presentations" may create problems for the commission. The build-up involved in the issue of shares to the public is an example.

At present two organisations, Fisher and Paykel and the Australia and New Zealand Banking group are planning share issues to

the public.

It is no reflection on those financially sound and well managed companies to say that their issues are awaited with growing expectation.

The expectation arises from preliminary announcements and comments that such action is proposed. The investing public, therefore can be expected to take considerable interest in the issues, and to look for participation even before a prospectus is filed.

Every sharebroker and financial adviser will tell a potential subscriber to wait until the details are known about terms of issues, particularly at times when alternative investments may be attractive.

But it is a far bet that well-publicised share issues from strong organisations will lead some people to grab an application form, with minimal reading of the offer documents. Again that is no reflection on the companies making the offers, because the prospectuses carry easily readable warnings that the document should be discussed with a professional person.

The problem is where to draw the line between legitimate publicity and exercises designed to ensure a successful float, which can overstep the boundary of legitimacy.

Self-regulation is a second matter under commission consideration. The background paper says the commission would welcome submissions from interested parties as to the role of self-regulation both by the media and by advertisers and their respective organisations.

Reference is made to a Canadian report, attached to the paper, which raises the suggestion that there should be power to require a named entity to file with an administrator all sales literature and advertising material at least seven days prior to its use. The commission asks whether this would be a useful suggestion for New Zealand.

The rules of the English Independent Broadcasting Authority on financial advertising are also attached to the paper.

They are interesting, because they prohibit the use of "celebrated entertainer, writers or sportsmen" to present, endorse or recommend any investment or savings offer (take note, New Zealand Government when advertising your cash loans and savings stocks).

The commission has set as "stage two" of the regulatory exercise the question of

comments on specific securities, including investment advisers and writers. This matter has received little attention in New Zealand.

Financial writers, and other commentators, can have connections with the securities on which they comment (the present writer is well aware of the notation at the end of the investment column in Page 26 which will be continued in order to overcome any problems).

It seems desirable that such control should be exercised in this area, even if it is only a disclosure of interest.

Should people in such positions disclose whether they or their investment companies and so on hold the shares which they recommend, to avoid any possible misunderstanding?

Should the range of investment advisers, outside the formal organisations of the Stock Exchange Association and similar groups, be registered, licensed, required to disclose their interests, or provide other relevant information?

They have to do one or more of these things in other countries, but New Zealand has never applied itself to any potential conflicts which can arise in these activities.

(Again this question applies to the present writer who has no objection to sensible rules of the subject.)

The commission will probably get to these matters after dealing with general financial advertising.

Analysing annual accounts

by Peter V O'Brien

WILKINS and Davies Construction Ltd improved its performance in the year to March, but the condition of the annual report needs further improvement.

The document released last week is deficient in several areas which would interest shareholders. Perhaps the partial acquisition by Fletcher Holdings Ltd might remedy some of the defects.

The main fault is the lack of reference to "work in progress" in the chairman's comments.

Work in progress is vital in a construction company's balance sheet, because it indicates the possible state of the company's trading in the period after the balance date.

Wilkins and Davies provision for work in progress fell from \$3.9 million in 1978 to

\$2.7 million. The net figure comprises \$45,556,000 (1978, \$37,273,000) as "valuation of work in progress" less \$42,841,000 (\$33,370,000) for "progress payments received", leaving a balance of \$2.7 million (\$3.9 million).

There is no elaboration of this figure in the report, so the reader is left to wonder if a fall in the value of contracts yet to be completed will affect the company's performance this year. It may not, but in that case the report should say so.

In spite of a \$1.2 million decline in work in progress, current assets went up \$540,300 to \$5,896,501.

A \$600,000 lift in bank balances and cash on hand, and term deposits of \$753,379 (nil in 1978) were the main reasons for the increase in current assets, although a \$430,000 increase in debtors

and prepayments assisted the liquidity improvement.

(The company has a bank overdraft liability — secured — amounting to the substantial sum of \$160, compared with a nil entry in the previous year.)

In view of the natural preoccupation with industrial relations, including the notorious Mangere Bridge problems, it is not surprising that the chairman's review should concentrate on these matters.

Room could have been found for comments on changes in the financial condition, particularly as eight pages of the 26 page report comprise photographs of completed or proposed construction projects.

It would be useful to have an indication of detailed expenses incurred in earning the year's operating, although that omission is common in New Zealand company reports.

Turnover was \$1.65 million higher at \$27.5 million, and operating profit was \$890,000,

compared with \$307,743 in the previous year, after allowance for general income, and charging the expenditure which has to be disclosed in the accounts, under the provisions of the Companies Act.

The company reduced its investment in plant, vehicles and equipment during the year, and sold an investment in BF Goodrich Chemical (NZ) Ltd. The capital gain from realisation of plant was \$218,228, while the sale of investments produced a capital profit of \$208,375.

The BF Goodrich Chemical investment was recorded in the books at \$18,000, so the sale value was \$224,375. (Another investment of \$28,000 in Pozzolan Products Ltd was written off, and therefore does not appear to affect the calculation.)

The profit on sale of investment raises the general question, which goes beyond Wilkins and Davies accounts, of valuing investments in private companies when they

are owned in public companies.

A book value of \$1 a share resulted in a sales value of \$12.46 a share — say \$12.50 (or \$13.50 if the profit is net of Pozzolan).

Keeping such investments in the books at par distorts accounts, and can produce a false impression of a company's true worth.

The report is unclear on the reasons for a substantial disposal of plant and equipment, which was reduced from a "cost price" of \$6,853,000 in 1978 to a 1979 "cost price" (both figures before accumulated depreciation) of \$6,645,000, but it may have something to do with the winding-up of the Mangere Bridge contract, or the completion of other work on hand.

The resulting capital profit of \$218,228, after a probable depreciation writeback, is a healthy boost to capital reserves, which were \$251,317 at balance date, compared

with only \$1299 in the previous year.

The report has credit features, including an interesting graphic description of movements in capital, shareholders funds, turnover, assets employed, net profit, capital profits, and earning rates.

The profit and earning rate graphs have substantial upwards and downwards shifts in recent years, reflecting the company's difficulties in earning a satisfactory return on its work, and in an industry which has been under pressure.

Even turnover dipped twice in the 1970's: in 1972 and 1977. Taxation is the final matter which needs attention in future reports.

Various adjustments are explained in the notes to the accounts, but insufficient figures are produced to work out what concession and adjustment relates to which aspect of the company's activities.

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NINETY-EIGHT teams in round two of the International Computers Business Management Game are currently facing tight monetary conditions not unlike the real-life New Zealand situation. The "market is currently depressed", interest rates are high and borrowing limits have been progressively tightened.

Administrator Dr Michael Jameson comments that the game is already intensely competitive as teams endeavour to maintain sales volumes by lowering prices and using maximum marketing effort, including use of consultants.

Teams overpricing their product have also lost out badly, as the market has proved very sensitive to price.

Although some teams have already made substantial losses, most are still managing to make modest profits.

The best performance to date is that of A King & Associates of Lower Hutt whose total profit is \$5,219 million, the largest of any team so far in the round.

However, General Foods were possibly in the most secure position with a comfortable lead of \$700,000 over their nearest rivals, Richardson Merrell in the Auckland section of the game.

Dr Jameson commented however, that many games were very close and quite a few upsets could be expected by the end of the round on September 28. The 20 winners proceed on to round three in October. The two leading teams in each game are given below.

RA1	Aulsebrooks Ltd, (Auckland)	3813
2	Beecham Research Labs	3704
BB1	E Andrews	4366
3	IDAPS Computer Science (NZ) Ltd	4043
BC4	MWD, Auckland	4141
5	Felix Furnishing Group	3830
BD2	Fibre-makers NZ Ltd, Team 1	3645
3	J & R Stevens Ltd, Team 1	3608
BE3	General Foods Corp NZ Ltd	4119
1	Richardson-Merrell Ltd	3359
Auckland & Central North Island Region		
BF5	Tasman Pulp & Paper Co Ltd, Team 1	3482
2	UEB Industries Ltd (Papatoetoe)	3333
BG3	Tasman Pulp & Paper Co Ltd, Team 3	4017
1	MSI Corporation Ltd	3916
BH2	East Coast Fertiliser Co Ltd, Napier	4281
3	J Wattle Canneries Ltd, Hastings	4093
RI1	Hastings City Council, Team A	3850
2	Whitstone Wallboards Ltd	4018
RI1	MWD, Turangi	4018
2	Tasman Pulp & Paper Co Ltd, Team 2	3986
Wellington Region		
BL4	MWD, Head Office	3385
2	Pord Motor Co of NZ Ltd, Team 3	3303
RM5	Gini Syndicate	3361
3	All Plastic Film	3158
RI4	Wellington Chartered Accountant	5041
2	Mansell Enterprises	4586
RI4	A King & Associates, Lower Hutt	5219
5	Civil & Civic NZ Ltd	4840
RI4	Dept of Social Welfare (Head Office)	4446
1	B McCulloch & Associates	3941
Wellington & South Island		
BR2	Slate Insurance, Head Office	3573
5	National Chartered Accountant (Dunedin Team 1)	3443
BS2	National Chartered Accountant (Chch Team 1)	4938
1	National Chartered Accountant (Wellington team)	4568
BT4	Christchurch Chartered Accountant	4282
1	G. I. Bowron & Co Ltd, Christchurch	4159
2	National Chartered Accountant (Chch Team 2)	3474
1	National Chartered Accountant (Chch Team 2)	3297
BI4	Matheson International Ltd, Invercargill	3917
1	Christchurch Chartered Accountant	2738
Dunedin & Team Game		

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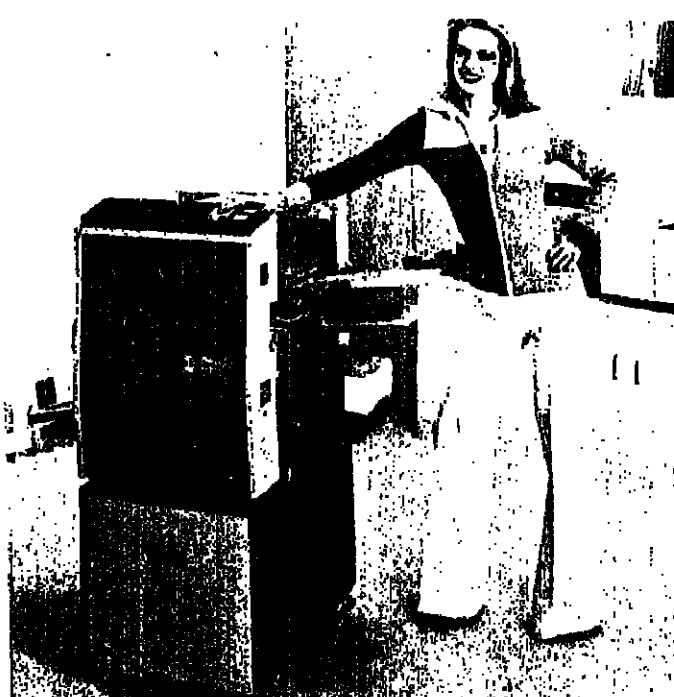
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UDC

Tree-sitters teach merchants a lesson in unity

by Peter V O'Brien

THE Associated Chambers of Commerce has a problem. It was summarised by executive director Alan Simm, last week in a lunchtime address to the Newmarket Rotary Club in Auckland.

Referring to his view that businessmen have an "entitlement" to run a profitable business, Simm said:

"Would you fight for that entitlement? People sit for days in trees to save a forest. Acts of Parliament are passed to protect fish and birds. People march in the streets and hurl stones and abuse for a variety of so-called rights. Politicians fight to spend more and more of your tax dollar on any level of social welfare, accident compensation, education, or health benefit that a vocal electorate cares to demand."

(It should be noted that Simm's 17-page speech said a lot of other things; about the current real profitability of business; union muscle; and the philosophy of profit related to efficiency and the overall state of a healthy economy. But there is an issue involved which goes deeper than those questions.)

Simm hit on (perhaps subconsciously) the matter of unity. That is a concept which is lacking in the people whom he wants to stand up — and fight.

The people he talks about who "sit in trees" know the value of unity. The unions know the value of unity. A union operates — when the regular stupidity is removed — on the principle that the weakest must be defended, and that the strongest exist to protect the weakest. That may work out differently in practice in particular issues, and a power-seeking union officer may take advantage of the principle for his own aggrandisement, but it is the core of unionism.

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What happens on the other side? The nature of the system breeds the opposite view. Weakness in business is or should be the result of a lack of competence, and/or an inability to react to competition. Weakness and/or competition will result in inefficient users of resources getting out of the system and allowing others to use the resources more efficiently to the benefit of all.

Both philosophies are pure, and never work out in practice. The lack of unity among the private enterprise bodies is a major reason. They could take a lesson from unionism, and from private enterprise organisation in other countries.

The Federation of Labour is a Federation. Its executive is elected, albeit after considerable political lobbying, from people who have got to the top of their supporting organisations, again after various forms of politicking. The Chambers of Commerce are fond of using the expression "the merchants paved the way" (also the title of the history of the Wellington Chamber of Commerce).

The merchants did pave the way — once. The "merchants" who ran their businesses more or less in the style of today's chief executives, were also the senior officers of the Chamber. In 1979, the President of the Associated Chambers is a branch manager of a bank. Therefore (with respect to the President, who is taking up a task which may be turned down by others), the senior spokesman for New Zealand business is an officer of a large organisation.

Why isn't the bank's chief manager the President of the Chambers? Answer: because his talents and time must be devoted to the basic business of the bank.

Fred Turnovsky of Tatra Leather is President of the Manufacturers Federation, and a notable success story of a man who came to New Zealand from a difficult European situation. But do Turnovsky and his fellow councillors carry as much financial and other clout as, say, a combination of chief executives from NZ Forest Products, Lion Breweries, Fletcher, Challenge Corporation, the meat companies, the dairy industry (admittedly co-operative), and half a dozen

other companies? They speak for, and represent, all manufacturers, but there is a subtle distinction.

Then we come to other organisations. The Employers Federation; the Retailers Federation; the Finance Houses Association; the Bankers Association; the Life Officers Association; the Insurance Council; all the specialised trade

organisations and Federations; the stock and station agents' association and so on.

There is an answer. The merchants should pave the way. In Germany it is compulsory for all business organisations to be a member of a "Chamber of Commerce". In New Zealand all the private enterprise supporting groups

should form a Federation (call it the Associated Chambers of Commerce, if you wish; some other name would serve the purpose). The Federation would comprise the top men of the constituents.

Then your "national council" would be unified and much stronger than the parts. If that happened Simm would not have to wander the country as a missionary to the

cynical faithful (not really a paradox). Some room could be made for the small guy to avoid "big building dominance. Under the present system why should be "merchants" get person involved, when they may have other methods to cut through the pressure group system and "pave the way"? Business can learn from the unions from the tree-sitters.

Cash issues flow back into fashion

by Peter V O'Brien

THE cash issue is returning to favour. Freightways Holdings Ltd (NBR, September 12) was the first company to make a premium issue this year. Last week Healing Industries, the Auckland based bicycle and industrial coatings manufacturer and engineer, announced a one for four cash issue at a premium of \$1.50.

The Freightways issue has considerable benefits for shareholders. The Healing directors have been less generous, although there should be good rights trading, given the present high price for the company's shares and a classy profit record.

Healing shares sold at \$3.45 before the announcement of the issue, after reaching \$3.85 earlier in the year. The "low" dividend was \$2.70. The 1979 dividend was \$2.75 cents on the \$1 units, so at \$3.45 the dividend yield is 11.5 per cent. That is a growth company's rating in the present market, where leading companies are yielding more than 7 per cent.

The total price of the new shares will be \$2.50, to give existing shareholders a yield of 7 per cent if they take up the rights. While the yield may be finely pitched, it is a considerable improvement on the figure if a buyer enters the company at \$3.45.

The rights are valued at 78 cents on the basis of a head share price of \$3.45, before allowance for a dividend difference, being the interim payment due in respect of the six months to September. Last year that payment was 6 cents a share, but the final dividend was increased 1.5 cents to 11.5 cents, so the company may reduce the gap between the two this year. Assuming that the dividend difference is 8 cents, the theoretical rights



INVESTOR INSIGHT

price at \$3.45 would be 70 cents, the ex rights price of the new shares would be \$3.20 until the interim dividend is paid, and the head shares would carry an ex rights value of \$3.26, again until the interim

Cum Price	Rights Price (cents)	Total Cost	Dividend Yield (17.5 cents basis)
3.25	80	3.10	5.61
3.30	64	3.14	5.57
3.35	68	3.18	5.50
3.40	72	3.22	5.43
3.45	76	3.26	5.37
3.50	80	3.30	5.30
3.55	84	3.34	5.24
3.60	88	3.38	5.17

payment is removed.

For the purposes of the table the interim dividend (usually paid in February) has been ignored. The table sets out the rights price, total cost, and dividend yield (based on a full 17.5 cents) over a range of cum rights prices. Anyone wanting to calculate the position of the new shares until the dividend difference is removed can take 6 cents from the rights and ex rights prices and assess the yield accordingly, over the holding period.

Healing has performed well in recent years. The company was listed in 1969, and net profit in the year to March,

created after balance date by another one for 10 bonus.)

Treating the specified preference shares as converted to ordinaries, the earning rate on the total capital (excluding a provision for the specified preference dividend) was 48 cents a share.

If the specified preference shares were excluded from the capital, and a deduction made for the dividend on these

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NBR SHAREMARKET SURVEY

WEEK ENDING SEPTEMBER 13, 1979

1970 High Low	Last Sale	Week's High	Week's Low	Dividend %	Reported Turnover	Dividend Yield	P/E Ratio	1970 High Low	Last Sale	Week's High	Week's Low	Dividend %	Reported Turnover	Dividend Yield	P/E Ratio
115 100	100	100	100	12.0	0	5.2	4.5	72 55	55	60	60	14.0	400	12.5	5.4
230 130	130	130	130	13.0	400	11.7	4.5	140 115	115	120	120	12.0	120	12.0	5.4
110 105	105	105	105	11.0	100	11.7	4.5	150 120	120	125	125	12.0	120	12.0	5.4
235 220	220	220	220	14.0	100	11.7	4.5	160 130	130	135	135	12.0	120	12.0	5.4
6 4	4	4	4	6.5	43	6.5	4.3	170 140	140	145	145	12.0	120	12.0	5.4
280 250	250	250	250	245	245	16.0	5.8	180 150	150	155	155	12.0	120	12.0	5.4
200 124	124	124	124	16.0	5800	10.8	3.4	190 160	160	165	165	12.0	120	12.0	5.4
200 124	124	124	124	16.0	5800	10.8	3.4	200 170	170	175	175	12.0	120	12.0	5.4
200 124	124	124	124	16.0	5800	10.8	3.4	210 180	180	185	185	12.0	120	12.0	5.4
200 124	124	124	124	16.0	5800	10.8	3.4	220 190	190	195	195	12.0	120	12.0	5.4
200 124	124	124	124	16.0	5800	10.8	3.4	230 200	200	205	205	12.0	120	12.0	5.4
200 124	124	124	124	16.0	5800	10.8	3.4	240 210	210	215	215	12.0	120	12.0	5.4
200 124	124	124	124	16.0	5800	10.8	3.4	250 220	220	225	225	12.0	120	12.0	5.4
200 124	124	124	124	16.0	5800	10.8	3.4	260 230	230	235	235	12.0	120	12.0	5.4
200 124	124	124	124	16.0	5800	10.8	3.4	270 240	240	245	245	12.0	120	12.0	5.4
200 124	124	124	124	16.0	5800	10.8	3.4	280 250	250	255	255	12.0	120	12.0	5.4
200 124	124	124	124	16.0	5800	10.8	3.4	290 260	260	265	265	12.0	120	12.0	5.4
200 124	124	124	124	16.0	5800	10.8	3.4	300 270	270	275	275	12.0	120	12.0	5.4
200 124	124	124	124	16.0	5800	10.8	3.4	310 280	280	285	285	12.0	120	12.0	5.4
200 124	124	124	124	16.0	5800	10.8	3.4	320 290	290	295	295	12.0	120	12.0	5.4
200 124	124	124	124	16.0	5800	10.8	3.4	330 300	300	305	305	12.0	120	12.0	5.4
200 124	124	124	124	16.0	5800	10.8	3.4	340 310	310	315	315	12.0	120	12.0	5.4
200 124	124	124	124	16.0	5800	10.8	3.4	350 320	320	325	325	12.0	120	12.0	5.4
200 124	124	124	124	16.0	5800	10.8	3.4	360 330	330	335	335	12.0	120	12.0	5.4
200 124	124	124	124	16.0	5800	10.8	3.4	370 340	340	345	345	12.0	120	12.0	5.4
200 124	124	124	124	16.0	5800	10.8	3.4	380 350	350	355	355	12.0	120	12.0	5.4
200 124	124	124	124	16.0	5800	10.8	3.4	390 360	360	365	365	12.0	120	12.0	5.4
200 124	124	124	124	16.0	5800	10.8	3.4	400 370	370	375	375	12.0	120	12.0	5.4
200 124	124	124	124	16.0	5800	10.8	3.4	410 380	380	385	385	12.0	120	12.0	5.4
200 124	124	124	124	16.0	5800	10.8	3.4	420 390	390	395	395	12.0	120	12.0	5.4
200 124	124	124	124	16.0	5800	10.8	3.4	430 400	400	405	405	12.0	120	12.0	5.4
200 124	124	124	124	16.0	5800	10.8	3.4	440 410	410	415	415	12.0	120	12.0	5.4
200 124	124	124	124	16.0	5800	10.8	3.4	450 420	420	425	425	12.0	120	12.0	5.4
200 124	124	124	124	16.0	5800	10.8	3.4	460 430	430	435	435	12.0	120	12.0	5.4
200 124	124	124	124	16.0	5800	10.8	3.4	470 440	440	445	445	12.0	120	12.0	5.4
200 124	124	124	124	16.0	5800	10.8	3.4	480 450	450	455	455	12.0	120	12.0	5.4
200 124	124	124	124	16.0	5800	10.8	3.4	490 460	460	465	465	12.0	120	12.0	5.4
200 124	124	124	124	16.0	5800	10.8	3.4	500 470	470	475	475	12.0	120	12.0	5.4
200 124	124	124	124	16.0	5800	10.8	3.4	510 480	480	485	485	12.0	120	12.0	5.4
200 124	124	124	124	16.0	5800	10.8	3.4	520 490	490	495	495	12.0	120	12.0	5.4
200 124	124	124	124	16.0	5800	10.8	3.4	530 500	500	505	505	12.0	120	12.0	5.4
200 124	124	124	124	16.0	5800	10.8	3.4	540 510	510	515	515	12.0	120	12.0	5.4
200 124	124	124	124	16.0	5800	10.8	3.4	550 520	520	525	525	12.0	120	12.0	5.4
200 124	124	124	124	16.0	5800	10.8	3.4	560 530	530	535	535	12.0	120	12.0	5.4
200 124	124	124	124	16.0	5800	10.8	3.4	570 540	540	545	545	12.0	120	12.0	5.4
200 124	124	124	124	16.0	5800	10.8	3.4	580 550	550	555	555	12.0	120	12.0	5.4
200 124	124	124	124	16.0	5800	10.8	3.4	590 560	560	565	565	12.0	120	12.0	5.4
200 124	124	124	124	16.0	5800	10.8	3.4	600 570	570	575	575	12.0	120	12.0	5.4
200 124	124	124	124	16.0	5800	10.8	3.4	610 580	580	585	585	12.0	120	12.0	5.4
200 124	124	124	124	16.0	5800	10.8	3.4	620 590	590	595	595	12.0	120	12.0	5.4
200 124	124	124	124	16.0	5800	10.8	3.4	630 600	600	605	605	12.0	120	12.0	5.4
200 124	124	124	124	16.0	5800	10.8	3.4	640 610	610	615	615	12.0	120	12.0	5.4
200 124	124	124	124	16.0	5800	10.8	3.4	650 620	620	625	625	12.0	120	12.0	5.4
200 124	124	124	124	16.0	5800	10.8	3.4	660 630	630	635	635	12.0	120	12.0	5.4
200 124	124	124	124	16.0	5800	10.8	3.4	670 640	640	645	645	12.0	120	12.0	5.4
200 124	124	124	124	16.0	5800	10.8	3.4	680 650	650	655	655	12.0	120	12.0	5.4
200 124	124	124	124	16.0	5800	10.8	3.4	690 660	660	665	665	12.0	120	12.0	5.4
200 124	124	124	124	16.0	5800	10.8	3.4	700 670	670	675	675	12.0	120	12.0	5.4
200 124	124	124	124	16.0	5800	10.8	3.4	710 680	680	685	685	12.0	120	12.0	5.4
200 124	124	124	124	16.0	5800	10.8	3.4	720 690	690	695	695	12.0	120	12.0	5.4
200 124	124	124	124	16.0	5800	10.8	3.4	730 700	700	705	705	12.0	120	12.0	5.4
200 124	124	124	124	16.0	5800	10.8	3.4	740 710	710	715	715	12.0	120	12.0	5.4
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200 124	124	124	124	16.0	5800	10.8	3.4	780 750	750	755	755	12.0	120	12.0	5.4
200 124	124	124	124	16.0	5800	10.8	3.4	790 760	760	765	765	12.0	120	12.0	5.4
200 124	124	124	124	16.0	5800	10.8	3.4	800 770	770	775	775	12.0	120	12.0	5.4
200 124	124	124	124	16.0	5800	10.8	3.4	810 780	780	785	785	12.0	120	12.0	5.4
200 124	124	124	124	16.0	5800	10.8	3.4	820 790	790	795	795	12.0	120	12.0	5.4
200 124	124	124	124	16.0	5800	10.8	3.4	830 800	800	805	805	12.0	120	12.0	5.4
200 124	124	124	124	16.0	5800	10.8	3.4	840 810	810	815	815	12.0	120	12.0	5.4
200 124	124	124	124	16.0	5800	10.8	3.4	850 820	820	825	825	12.0	120	12.0	5.4
200 124	124	124	124	16.0	5800	10.8	3.4	860 830	830	835	835	12.0	120	12.0	5.4
200 124	124	124	124	16.0	5800	10.8	3.4	870 840	840	845	845	12.0	120	12.0	5.4
200 124	124	124	124	16.0	5800	10.8	3.4	880 850	850	855	855	12.0	120	12.0	5.4
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200 124	124	124	124	16.0	5800	10.8	3.4	920 890	890	895	895	12.0	120	12.0	5.4
200 124	124	124	124	16.0	5800	10.8	3.4	930 900	900	905	905	12.0	120	12.0	5.4
200 124	124	124	124	16.0	5800	10.8	3.4	940 910	910	915	915	12.0	120	12.0	5.4
200 124	124	124	124	16.0	5800	10.8	3.4	950 920	920	925	925	12.0	120	12.0	5.4
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200 124	124	124	124	16.0	5800	10.8	3.4	970 940	940	9					

Bubble blows onto market

by Peter Isaac

CONFORM Plastics, the seven-year-old Auckland polythene extruder and converter has just dazzled the marketplace by successfully commissioning the largest co-extruder in the nation.

For the first time manufacturers now have access to an unbroken and substantial width of co-extruded plastic sheet which does not require joining.

Conform has now developed its own range of sealing equipment allowing an effective limitless expanse of the co-extruded sheet.

The company which in 1978 won an export award for sales to North America can now blow an extrusion bubble six metres wide folding into one metre.

The benefit of this expanse in co-extrusion is the "plywood" effect of two layers of plastic bonded together for greater strength.

A major application of the sheet is in the construction

industry where it is available in colour coded specifications. The colour coding overcomes the problem of construction projects of work being held up while building inspectors assess the thickness of the film being used. For example, 250 micron sheet comes in red and black and 125 micron in black and yellow.

At the same time the co-extruded film because of its two layers is virtually puncture proof.

The black side is turned inner-most to create warmth on the plant roofs and to provide a dark shield so that weeds do not grow. Conform is also the only company with the machinery to convert its film into polybubble packaging — the thousands of tiny air bubbles give a packaging material that provides a layer of protective insulation and is at the same time almost weightless.

This low weight factor is a particularly important benefit for manufacturers in view of increasing airfreight costs.

CO-EXTRUSION... allows limitless expanse.

The commissioning of the giant Gloucester co-extruder has given Conform a reach into a whole range of specialist applications for low density polyethylene sheeting. It has proved particularly useful in agricultural and horticultural applications where light reflection is important.

Strawberry growers are buying black and white co-extrusions and using the white side outermost to reflect sunlight under the plant leaves which increases growth through intensified light and at the same time is a deterrent to insects.

The black side is turned inner-most to create warmth on the plant roofs and to provide a dark shield so that weeds do not grow.

Conform is also the only company with the machinery to convert its film into polybubble packaging — the thousands of tiny air bubbles give a packaging material that provides a layer of protective insulation and is at the same time almost weightless.

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NZ PLASTICS

One substantial user of the polybubble packaging is Movements International which now uses it for most consignments.

Conform, which recently moved into a brand new 2366 square metres factory became well known for its export of aquatherm bubble flotation swimming pool covers to the United States, Australia, and elsewhere for municipal and home applications.

More recently, Conform has opened up markets overseas for its postie series of bubble insulated postal bags which protect delicate contents in transit through a layer of polybubble insulation.

Trigon courts public

IS TRIGON Industries of Hamilton about to go public? All the evidence seems to point to some kind of run up to a public offering by this go-go manufacturer.

The company has mounted the most effective public relations offensive of any medium-size New Zealand manufacturer.

Then there was the sudden announcement just recently of the company's diversification into rapid growth market sectors such as horticulture and computing.

The company grew out of Plastic Products of Hamilton which was sold to AIL.

After a period of time the Foreman family re-grouped under the Trigon banner and then quickly drove back into the industry with a well-capitalised factory and a highly motivated sales approach.

The time now seems to have come when Trigon managing director Bill Foreman must

make a decision as to whether or not he wants to take the big-league manufacturer's conglomerates on the ground.

The company management already resembles a major public company. Trigon could slide into company status with little hiccup.

With so much money currently locked somewhere to go, Foreman to make his expected move.

Navy goes Plastic

THE Royal Navy has orders for three midget submarines constructed of GFR high with two other similar vessels in the pipeline.

The ships use the same material as not to set off mines, triggered mines and the three ships will be long and 9.9 m wide with displacement of 615

Industry rides a boomlet

CRUISING buoyantly into the last quarter the plastics industry presents the picture of a sector that thought it would be lucky to last the winter out at all — yet now finds itself riding the boomlet at home and abroad.

The story goes back to the end of 1977 when manufacturers suddenly found their order books looking damaskingly skinny.

The bleak picture began to compound itself during 1978 with threats of indirect taxation, a Friedman-style free market policy on imports, plus the general economic slowdown especially in the building industry. Then the population began to fall.

With its heavy consumer-product emphasis, few industries depend on a surging population growth to the same degree as the plastics industry.

So by the start of this year the plastics men could often be found fuddling together as they generally thought the unthinkable.

There was even the not-so-faint cry of "Government assistance".

Then came the dawn. The agricultural sector went on a spending spree re-stocking their depleted inventories with such high value plastic items as pipe, milking equipment, roofing and containers.

Then the packaging industry cut in for plastics in both primary product packaging and consumer goods packaging.

By the end of April many smaller plastics companies raced into diversification programmes, frantically abandoning slow moving custom moulding lines as they rushed into their own products to insert themselves into their own pre-selected areas of the marketplace.

That fundamental figure of the economy — the New Zealand housewife — it became evident by mid year was unflappable. She was standing firm — and buying. The indirect tax on household goods was not altering her buying habits.

On top of the encouraging retail figures came the obvious conclusion that the Government was not prepared to risk upping the unemployment figures among the unskilled by delivering a body blow to a major employer — the plastics industry — by opening the door any more than a crack to all these foreign imports.

The result is that the plastics industry can now see its way moderately clearly through to the consumer boom before the 1981 election — a boom that is bound to eventuate if normal pre-election financial policies are imposed.

Most important of all, the unexpected surge in demand has allowed many plastics companies to achieve surprisingly high utilisation on their new machinery purchased during 1975-77.

One of the really big fears was that the market downturn would leave many companies with vast repayment commitments on machines that were only working to a fraction of their capacity.

Still another obvious fact this year was just how competitive New Zealand plastics manufacturers were becoming in relation to their overseas counterparts.

The burst of new plant acquisition of four years ago has conferred enormous economies of production — as the increasing use of closed loop process control, including New Zealand plastics manufacturing has become particularly competitive with Australian conditions.

At the same time, the manufacturers here have embarked on a second wave of re-equipping and this seems likely to decrease reliance on foreign imported plastic components and products.

But perhaps the most startling aspect of the plastics industry is the way in which it has weathered the quantum jumps in raw materials prices following the Iranian revolution.

The raw materials proportion of total costs was found to be rather smaller than expected. At the same time the supply houses based in New Zealand ensured that supplies kept coming through in the crucial few months following the shortages and price jumps.

Overall, there has been big growth in the plastics market share as it continues to displace traditional materials in a whole range of products.

Moulder uses process cards

CONSOLIDATED Plastics new 200 ounce moulder is equipped with process control capability that will allow technicians to set up programmed production runs.

Thus, when a production run is required of a product previously handled by the moulder a small card is inserted and the machine will automatically refer to its prior instructions and behaviour pattern for that product.

This slashes down-times and boosts the productive time of the machine.

The moulder appears to be the largest single piece of equipment outside the pulp industry operating under process control.

The Johns moulder can accept moulds weighing up to 15 tonnes. The machine uses 1300 tonnes of clamp pressure to hold dies in place.

The \$600,000 moulder is installed at the Ellerslie factory of CPI which is a subsidiary of Feltex.

Pump makes breakthrough

HONGOTEA housewife and cooking personality Norma McCulloch has invented a plastic vacuum pump that is currently being offered for sale throughout Europe and the United States.

A consumer acceptance test using a shipment of 20,000 food vacuum pumps marketed under the Zylls brand name Suzie indicates that the pump will be well received in these markets.

McCulloch's invention was developed and manufactured by Winstone Plastics in nearby Palmerston North.

The little hand operated pumps suck air out of food packages prior to storing in a freezer.

The problem with the original pump was that it was made out of cardboard. This created market resistance because users worried that it would be hard to clean.

So McCulloch approached Winstone Plastics to find out if plastic would be a workable substitute for cardboard.

Research by Winstone indicated that, yes, plastic would make a good substitute.

Manufactured by both injection moulding and blow moulding processes, the pump is now in the words of Winstone general manager John Mason "poised on the edge of a major international sales breakthrough".

Mason said: "To even send 20,000 units to West Germany, traditionally the leader of the world's plastic industry, is in itself quite a breakthrough". Besides Europe, a market test under McCulloch's own

Fire service douses claims

THE Fire Service has to some extent doused the clamour of flammability allegations about furniture synthetic fillings and coverings.

The clamour of claims about the risk to human life through fire because of plastic-based furniture upholstery followed the World in Action documentary subsequently adapted to New Zealand conditions by our own broadcasting people.

The director of fire safety for the New Zealand Fire Service, Ken Burton-Wood, commented that to ban polyurethane fillings would be to attack the "effect" rather than the cause.

He noted also that after oven fires, heaters placed next to furniture were a main cause of fires in the home.

But he stressed that polyurethane had only been mentioned in the context of one death resulting from fire.

That was in the Wairarapa and the Coroner on that occasion had also warned of the dangers from falling asleep while smoking.

Burton-Wood also noted that the Manchester Woolworths store fire on which the World in Action documentary dwelled would probably not have occurred if the store had

been equipped with sprinklers. Since 1971 all stores in New Zealand of over 10,000 sq ft have been equipped with sprinklers under building code regulations.

In NBR of June 20, an article was published about the purchase of Intermold Plastics by Feltex NZ Limited.

Reference was made in this article to the trading policy adopted by the management team during the period prior to purchase.

Mr K L Barrowman, who became general manager in the 1977 year, has now supplied details to NBR which establish that during the period from his appointment to date of sale the company always traded profitably with returns on capital which were very good and rose to nearly 80 per cent in the 1974-75 trading year.

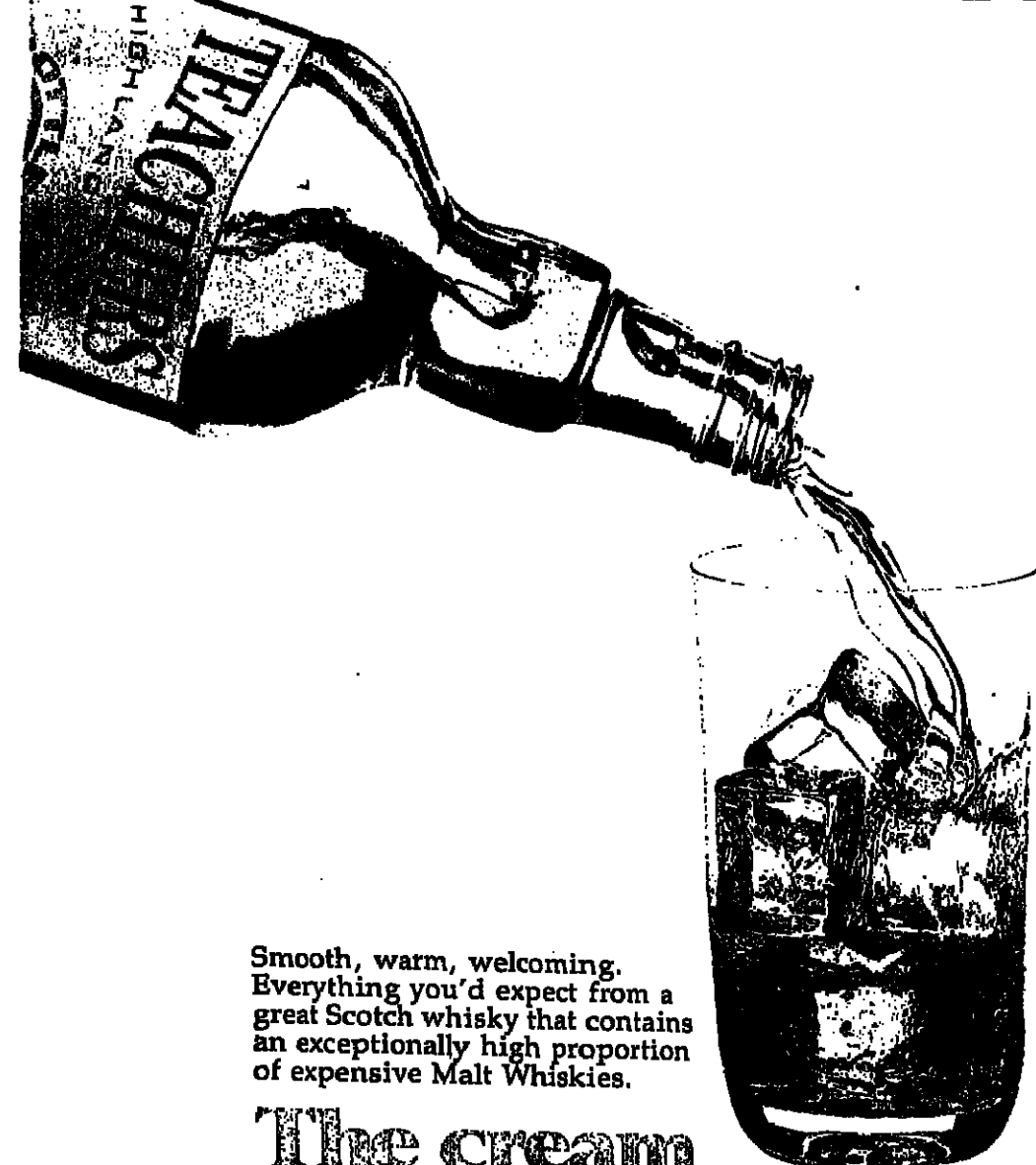
Mr Barrowman has

pointed out that the sale of Intermold followed the success of this trading policy and the consequent increase in value of the company.

While in the period before his appointment Intermold had incurred a substantial loss, during Mr Barrowman's management this loss was entirely recovered and the company returned to consistently profitable trading.

NBR therefore wants readers to appreciate that its remarks on the company's performance were not a commentary on Mr Barrowman's management and regrets and apologies for any adverse inference readers might have taken from the article.

TEACHER'S

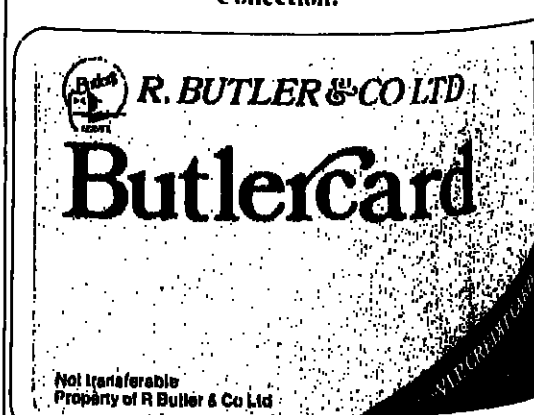


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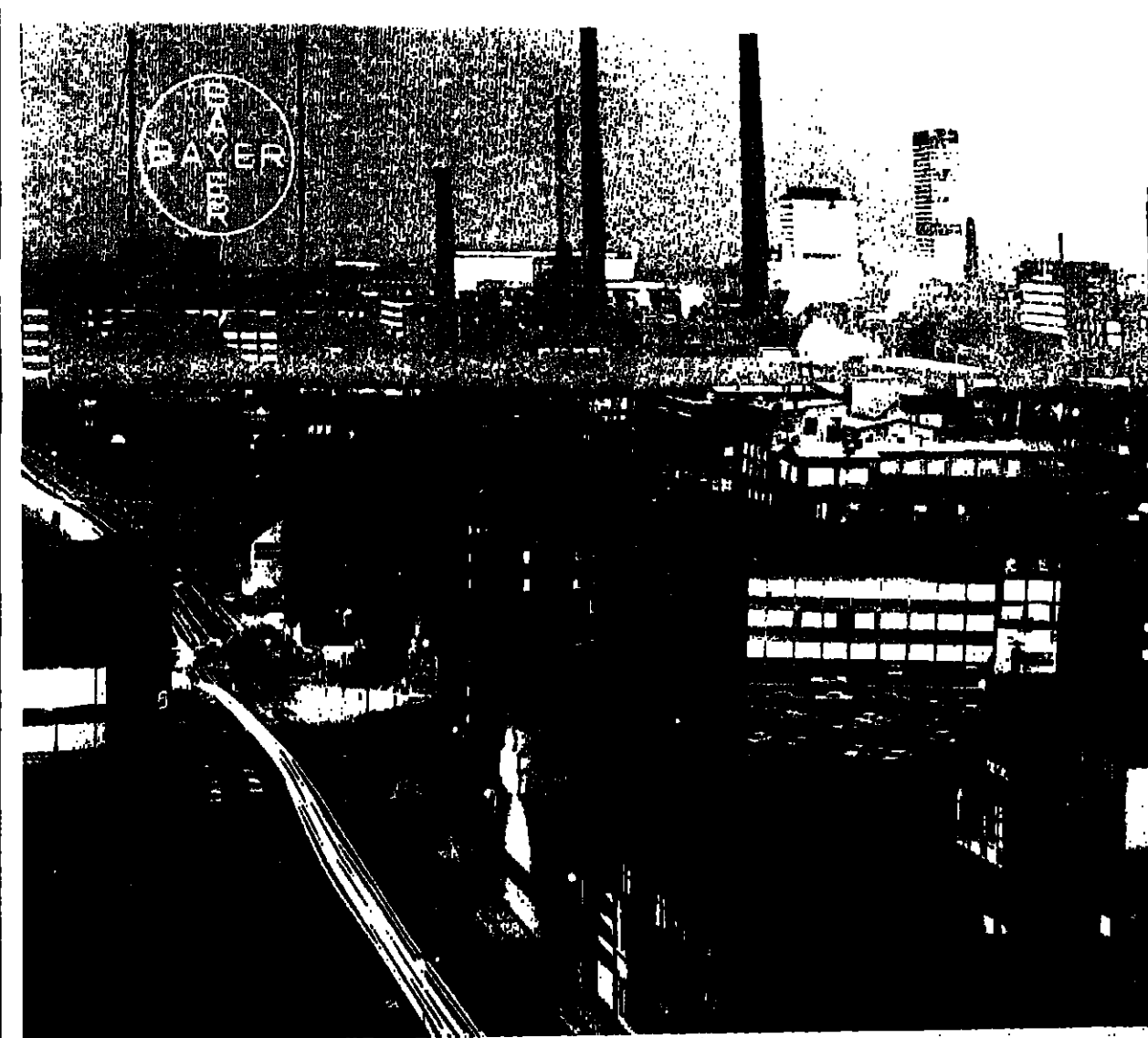
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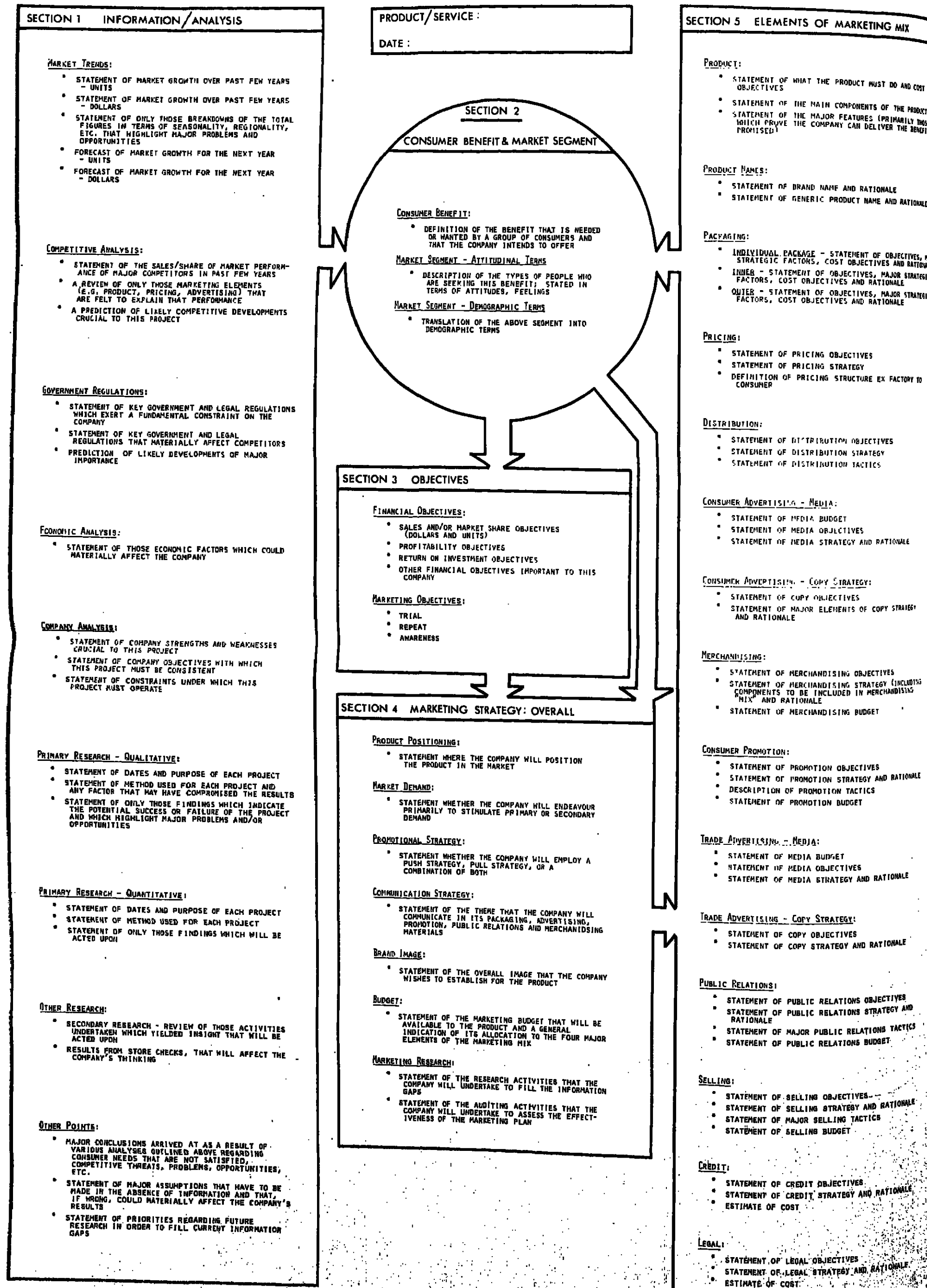
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Marketing Plan Flow Chart

by J.S. Bridges



The marketing plan flow chart: an innovative approach to planning



J.S. BRIDGES, Reader in Marketing at Massey University, introduces the Marketing Plan Flow Chart, an innovative approach to product planning which is tailored to meet the special needs of small companies. Bridges developed and used the new plan while marketing manager of Tullen Industries Ltd. Auckland.

THE layout of the marketing plan flow chart (see sample chart opposite) has been devised to discipline the marketer into a logical, systematic approach to planning. It closely follows the structure of marketing plans used by many large companies.

The space devoted to each major element has been carefully determined, based upon observation of other marketing plans and experimentation with the MPFC since 1976, in order to ensure a proper allocation for most products or services. For example, one-third of the space has been devoted to each of "Information Analysis" and "Elements of Marketing Mix" as these subjects typically require more space than others to cover adequately.

To be consistent with readership patterns, the MPFC starts with Section 1 to the far left and then works progressively to the right in columns and downwards, ending with the final part (Section 5) on the far right.

Arrows are used to ensure a logical, systematic flow of thought for both the writer and reader of the marketing plan. For example, it is felt that the marketer should not finally settle upon the consumer need and market segment to be satisfied until he has carefully analysed all the information available to him. Likewise, objectives will be much more realistic if they are set after analysis of the available data and the decision concerning which market segment to satisfy. The same reasoning applies to other sections as well, with the single exception of the arrow between Sections 3 and 4. This arrow is included to indicate that the aim of the marketing mix is to have an impact on the chosen market segment.

Section 1: Information Analysis

The accompanying MPFC sets out the type of information that should be included in this section if it is available. Obviously there will be few small companies which will have

the likelihood is certainly heightened.

Section 2: Consumer Benefit and Market Segment

The various data analysed in Section 1 are the inputs upon which the remainder of the marketing plan is based. As a synthesis of these inputs, the company is then in a position to define the consumer benefit segment wanting this benefit. This forms Section 2 of the MPFC.

There are two reasons for separating the statement of consumer benefit and market segment from the analysis section. First, the very basis of marketing is satisfying consumer needs at a profit. The benefits offered the consumer

will have a significant bearing on whether or not the consumer needs are effectively satisfied. Second, the entire marketing programme (marketing strategy and marketing mix) must be carefully formulated so as to have a strong appeal to, and impact upon, the selected market segment. Both of these reasons suggest that the success or failure of the company's programme is largely dependent upon how well it defines the benefit it will offer, and who will be receptive to it. Given this crucial importance, it makes sense to highlight these two elements.

Elaborating further on the market segment component in Section 2 of the MPFC, note that two types of segmentation are referred to — that is,

attitudinal (psycho-graphic) and demographic. The first is important because it provides valuable clues and insight into the marketing strategy and marketing mix that should be adopted. The second is important — particularly for those companies which decide to advertise — as it enables the company's advertising agency to construct an efficient, effective media plan. Audience and readership data supplied by various media owners and independent research firms are usually provided only on demographics, not on attitudes people share.

Section 3: Objectives

Once the market segment has been defined, the company

is in a position to establish its financial and marketing objectives. Ideally, the size of the segment should be quantified in order to set realistic targets, but this may not be possible for small companies. Due to financial limits on the amount of primary research that can be undertaken, for companies in that position, objectives should be set based upon a combination of secondary research (such as study of census data) and judgment.

Some of the objectives that can be included are mentioned in the MPFC, but the list certainly is not exhaustive.

The objectives that are set should be specific, cite a definite time span, and be capable of subsequent measurement of actual performance.

Continued on p35

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From page 33.

formance. For example, if consumer awareness is considered important to the company, a specific target should be set (for example, "by December 31, unprompted recall of our brand name should be 80 per cent of our market segment"). This can be measured via a relatively inexpensive survey conducted by an independent market research firm. Distribution targets can also be established, and performance inexpensively monitored by the company's own personnel — if only on the basis of a check of several retail outlets.

Section 4: Marketing Strategy — Overall

This section contains a description of the overall methods by which the company plans both to satisfy the consumer's needs and achieve its objectives. It should incorporate only those statements that will affect or influence one or more elements of the marketing mix.

The MPFC mentions several possible strategy elements to illustrate the kinds of statements that are appropriate for this section. For example, the brand image desired for the product is a strategy statement under this definition because it will influence, or constrain, the company's decisions on the following mix elements: product; product name; pricing; distribution; advertising theme; merchandising theme; packaging. Another example is whether a "push" or "pull" strategy — or a combination of the two — will be adopted, as this decision, among other

ramifications, will dictate whether or not the tools of consumer advertising and promotions will be used or ignored.

Section 5: Elements of the Marketing Mix

Fifteen elements of the marketing mix are referred to in Section 5 of the MPFC. These are tools which the company can control and manipulate in order to achieve its objectives. It is not suggested that each tool should be used for each product marketed. In some instances, it may be beyond the financial resources of smaller companies to use all the tools effectively, so priorities may have to be set; in others, the use of one or more tools may not be relevant for a particular product (for example, the "legal" element when the product is not patentable, or does not have a unique design); in other cases, the strategy statement in Section 4 may dictate against the use of one or more tools (for example, establishing a top-quality, exclusive image for a product will rule out distribution in discount, mass merchandising retail outlets).

The first step, therefore, is to select which of the tools identified in Section 5 are relevant to the particular product under consideration. Once this is completed, the marketer should provide a concise statement of those aspects — and only those — which are vital to the success of the project.

In contrast, the company may support this MPFC statement with a separate brief for the technical or production people which is lengthier because it delves

much more deeply into the numerous other — but much less important — features of the product.

Uses and Benefits of the Marketing Plan Flow Chart

This approach to marketing planning offers several uses and benefits which are not afforded by the conventional, more sophisticated, approach.

First, it offers a large proportion of the value of planning at a fraction of the time and cost. A draft of the MPFC can be completed within hours if the marketer has a fairly good grasp of the business before he starts. At the most, it will only take a few days. The MPFC disciplines the planner to boil down everything (data, strategy, marketing mix) to its essence, so that matters which are superfluous or of secondary importance do not consume valuable time. A more com-

prehensive and thorough treatment of all conceivable facts and actions may improve the results — but probably only by a slight margin and at a greatly increased cost.

Second, the MPFC highlights gaps in factual knowledge, and demonstrates the extent to which assumptions are relied upon. This in turn enables the company to set reasoned priorities for the substitution of facts for assumptions. The risk of making wrong decisions must surely decline as critical assumptions are replaced by facts.

Third, a handwritten draft serves as an excellent basis for discussion with those people whom the planner values for advice (such as advertising agency people). The planner gives a copy to each person, who then reviews the entire draft plan on one page, thereby encouraging a thoughtful review and permitting a much

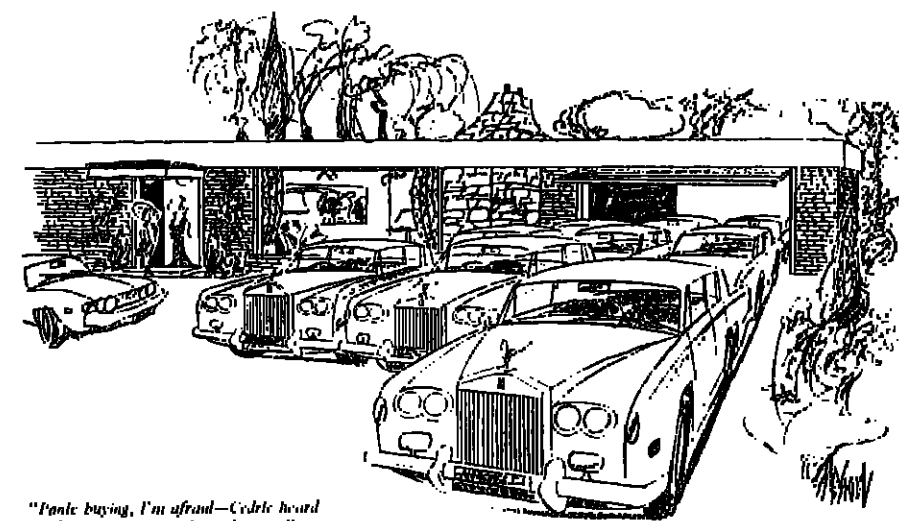
more effective critique. The planner and evaluators can then meet, affix a copy of the MPFC to a wall, and review the draft plan, commencing with Section 1 and working in sequence through to Section 5. The planner uses a felt marker to mark the sections or areas requiring additional input or modification, and at the end of the meeting, knows exactly what is required to develop a better (and if desired) more comprehensive plan.

Fourth, the MPFC doubles as an excellent and inexpensive tool for communicating the company's marketing programme to the sales force, sales agent, or distributor. The MPFC is an effective means of communication because a thorough, logical and systematic presentation can be made directly and quickly from the chart — or with a modified version assisted by overhead projection slides.

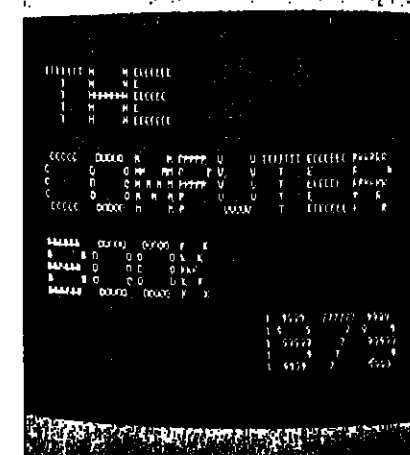
Fifth, the MPFC is an effective tool for convincing a sales force or sales agent that your programme is "right". That is, it is a tremendous selling aid — if used properly. The presenter who "walks" the sales personnel systematically through the MPFC before exposing the product, its packaging, advertising, and so on will usually have "pre-sold" the audience on these elements by the time each is unfolded, thereby preventing subjective — and often destructive — criticism from arising. Moreover, subjective criticism that still surfaces ("I don't like the package") can be effectively rebutted in most cases either by referring back to the relevant points in prior sections which prove the logic of the approach taken, or by showing that the criticism is inconsistent with previous points with which the objector has agreed.

Granted, this approach cannot guarantee to eliminate all subjective criticism of marketing tactics, but experience proves that it will substantially reduce them.

The Marketing Plan Flow Chart is not a revolutionary innovation in planning. It is a simple adaptation of accepted methods of planning to the particular needs of small companies which do not have the resources in either time, money or manpower to resort to more sophisticated planning techniques. It seems to yield much of the benefits of sophisticated planning without incurring the high cost normally associated with that approach. It offers the additional benefit of serving as an excellent and effective communication device — a further saving of time and money for small companies.



"Panic buying, I'm afraid—Cedric heard there was going to be a shortage."



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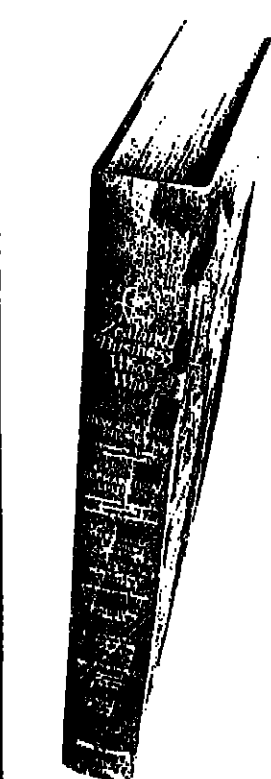
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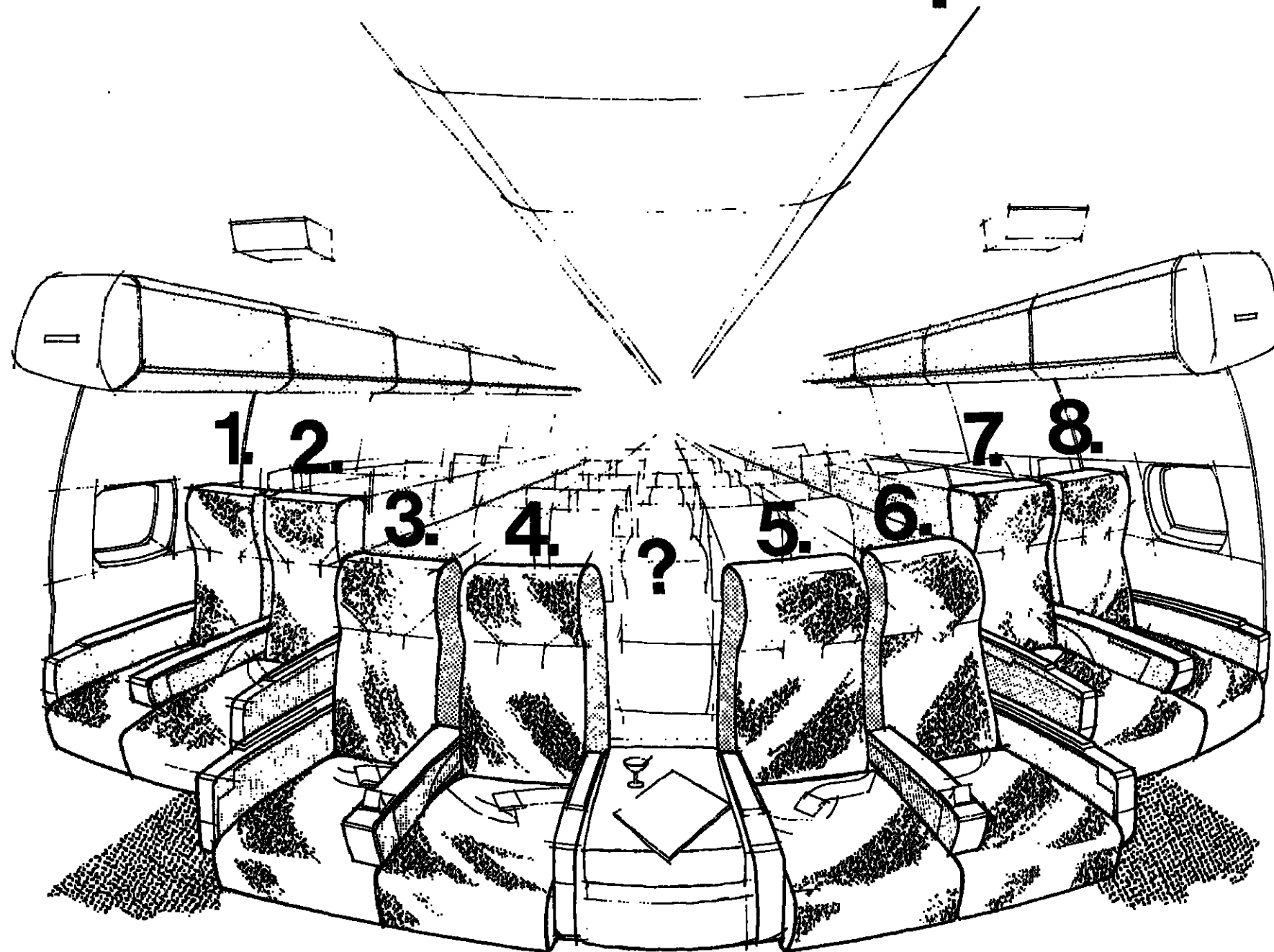
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The American market: or how to sort out the myth and the mystery



MOST New Zealand exporters will look at the United States at some stage. It is a huge market. More than 200 million people spread over a large continent.

When approaching a market like the United States, most of what you hear is confusing. For example, people say that "all you need is .003 per cent of the market, and we'd have all five of our factories working 24 hours a day every day of the year, and even then we'd only supply about a tenth of it". And everyone has his favourite story about the ruthless and dedicated American buyer, demanding breakfast

MARK SAINSBURY, manager of Mesco Gas in Auckland, proposes marketing ideas for New Zealand products in the United States of America.

meetings at 8.30 in the morning. But American buyers are very conservative — they have to be. Mistakes, if they are made, are too large.

The myths associated with this market are legend, the truths are rather harder to find.

One of the most important aspects of marketing in the United States is research. It is not a question of whether you carry out market research for your product in the United States, it is how much you do.

Research, although expensive, can be used as a most effective selling tool. If you go to an American buyer and show your product, mention the pricing point, outline the manner in which you are going to distribute it and inform him of your promotional plans, he will be impressed, but sceptical. If you mention all those things, and then produce research to prove your findings, he will then be interested.

The American market can be segmented in minute detail, so most of your secondary research will be to find out which segment your product fits into. When that is established, your product can be positioned properly in the marketplace.

I believe that a research campaign carried out to assess the positive attitudes to a New Zealand image in the United States would be most beneficial.

This could be done by forming a group of companies to finance a generalised research programme aimed at establishing these positive attitudes. After consultation with a Harvard researcher, I believe that a small sample could be used, maybe as few as 250 people. These people would be interviewed by telephone to assess their knowledge of and interest in New Zealand. This group could then be narrowed to approximately 25 people with positive attitudes about New Zealand. They would get together, and a generalised discussion would be encouraged to try to uncover positive attitudes that could be included in any promotional campaign.

Equipped with this information, the companies involved could use these positive aspects to advantage. The advantages of companies pooling their resources in a large market like the United States can be seen with some forms of multi-product research. Several companies with a parallel or similar product could commission a research project to get a generalised feel of where their product grouping would fit into the United States market.

This form of base market research information could save money for all the companies involved and enable them to later add to that information with more specific market research. Exporters from other countries combine in the export field even though they may have an intense rivalry at home. But New Zealand companies seem to be convinced that there are no advantages in combining with competitors. This is mainly caused, I am convinced, by a basic lack of confidence in their own ability.

Parallel product marketing has many advantages. This is where two or more companies get together to market similar types of products as part of one campaign — for example, tableware and glassware, involving Ceramco and AHI. There are also opportunities to combine with American companies to do parallel product marketing. This can give you access to a whole distribution network.

There is also the possibility of New Zealand companies getting together to form a New Zealand-type shop in the United States. This idea has been widely considered by a number of people, particularly in fields such as restaurants. But where I think that this

concept offers the most attractive rewards is in the shop-within-a-shop arrangement. In the United States, specialisation is catching on: it

is no longer a tennis shop, it is now a tennis-shoe shop, and the more specialised you are the better you do. Finally, mail order. Mail

order has exciting possibilities in the United States because there is often an element of exclusivity about selling in this way which, combined with the

ease of ordering and the excitement of getting something through the post, is an increasing method of marketing in the United States.

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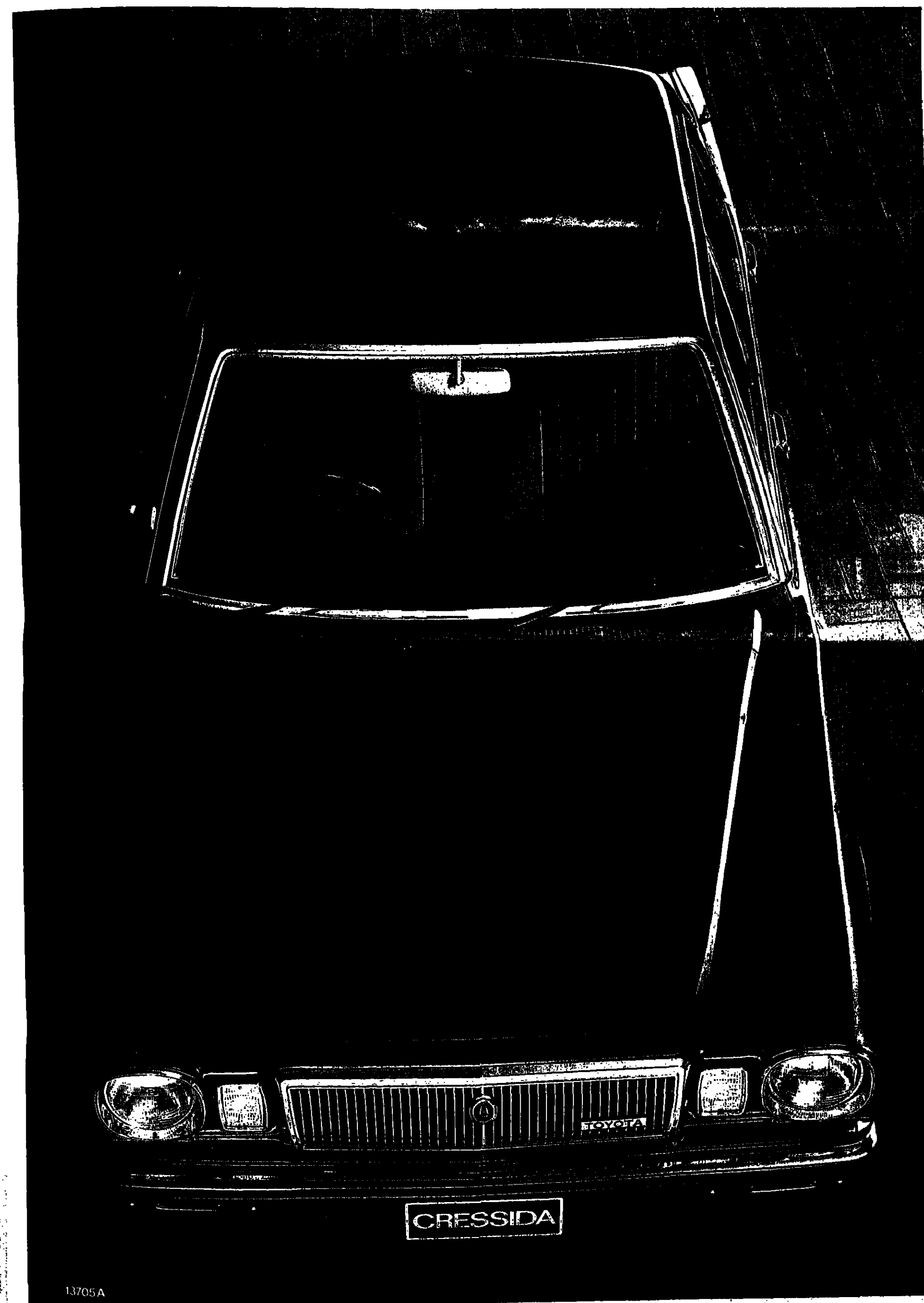
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New Zealand's myopic view of the export world must change

NEW ZEALAND manufacturers and primary producers appear to willingly abdicate control of their product, which causes disastrous results — consumers receive poor quality goods, lack of after-sales service damages the firm's and our national reputation; greater returns are obtained along the distribution chain than at the point of production.

We give priority to converting products into cash at the earliest opportunity. We must correct our short-sighted view of the customer as the person or organisation with whom a cash exchange occurs. In a world of fast and relatively cheap communication, there is no excuse for this "one stage relationship". We must avoid isolation from the decision makers.

MICHAEL MELLON stresses the importance of identification of, and control of distribution to, the final users in overseas markets...

Control is an important skill of strategic marketing. With the change from a trading mentality to a marketing philosophy, we need to be familiar with the end user. And we must develop disciplined distribution in parallel.

Putting intermediaries into Perspective

We traditionally recognise two classes of intermediaries, "agent" and "merchant" middlemen. The agent class we can normally keep some control over because we retain title; our problems occur with the merchants who take title. On many occasions the manufacturer's strategy is subordinated or even contradicted by the merchant's objectives. The power of the merchant is derived from payment of cash in his role as "customer" rather than as the supplier of skilled services that facilitate products reaching users.

To counteract this power of the cash payer and to accentuate the positive role of the intermediary, I developed two guidelines for control in marketing management.

1. Irrespective of the number of parties involved in the flow of goods or service, the "principal" is that party whose brand appears on the goods and is recognised by the "user". Faulty, unbranded merchandise, particularly consumer goods, marked only with "Made in New Zealand" could tarnish our national (generic) image and reflect on other products, as previously occurred with cheap Oriental merchandise. For such unbranded merchandise with only a "Made in New Zealand" mark, the nation, through the Department of Trade and Industry, is the principal.

2. All intermediaries involved in the flow of the goods are either "contractors" to the principal or the user. "Contractor" implies a subordinate role, but it must not be interpreted as being a superfluous one. Specialists in various fields such as forwarding, banking, negotiating and communicating are vital. These service organisations struggle to become the most effective in their fields and become principals of their particular skill or service which the export producer can contract.

In a strict legal sense, the owner of the goods becomes the principal, a role which merchants endeavour to secure, but the brand owner must make the transfer of official title conditional so that the presentation of the goods to the ultimate user accords with his marketing strategy.

Identifying your Product Flow

Many elementary mistakes are made in assessment of future trends, based on the destination port only.

The Netherlands is frequently described as our fourth biggest wool customer because large volumes are consigned to Rotterdam. But Holland has only minimal facilities for processing wool, and the majority is reshipped. The Netherlands, therefore, is not the customer but the financing and warehousing contractor providing for New Zealand a temporarily useful service.

We want to know exactly what is happening in the crucial place of utilisation, as on this depends future order levels. We do not know yet where much of New Zealand's wool, processed foods and lumber is being consumed; much of the available information originates from intermediaries who will naturally slant reports to suit their convenience. More contact with the end user is a crucial preliminary to better product development and control.

While one can assume with some products and markets that shipments are related to processing throughput, one cannot assume the same for consumption. It is only when we know the ultimate consumption rate that repeat business can be predicted.

Visit markets to investigate use and identify the key factors in determining your demand. You may well be surprised at how you are being used and who your competition is because life style and usage patterns may inject a new dimension of competition not previously envisaged. This may lead to unexpected items becoming a substitute and hence a competitor.

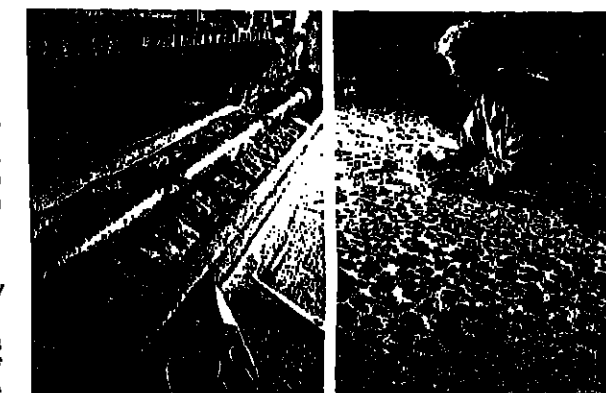
Having identified the potential range of substitutes and competitors, maintain data on them. Try to cultivate a battery of indicators so that your demand functions represent the reality of the market in full, rather than the limited scope of earlier work with so few variables.

Information about end use is vital for your product development and quality control. You will need to give intermediaries genuine assurances over their security to reach important users, and this involves building trust.

Improvements in Control

Quality control standards must be higher than we have traditionally learned from Britain. Quality control staff must be separate from the production department; otherwise standards become compromised. Export marketing staff should link more closely with product development and quality control executives, as their support is vital.

Much executive time is wasted in New Zealand communicating over changing prices. Sound marketing



CARPETS... one product that is fully processed locally.

management requires that price changes are infrequent, and that when made, all other components of the marketing mix are reviewed at the same time. Skilled industrial marketers set their price

schedules so that they are not changed or haggled over, except when there has been a major environmental change. The "principal", with his knowledge of the market situation, should initiate price

changes, in contrast to the common situation where we "take prices" set by "buyers". Marketers are analysts of information from every conceivable source. Prices are set to suit the desired product position with long-term market relationships as the dominant factor.

Export prices must be worked back from the positioned price, after allowing for all contractors' expenses and import duties.

To aid selection of markets and channels, the exporter must keep conversant with world political and economic events. Do not expect overseas markets to have the individual stability of your domestic market.

Often the selection of channels may be dictated by

traditional constraints or monopoly situations. As we are not traditional suppliers to our Pacific Basin neighbours, it may be necessary and sometimes advantageous to ignore the traditional number of levels, as being small we might be lost. It may just be right to aim for a small specialist market that can be reached with a low-cost, direct approach. Such unorthodoxy may require other special decisions. A good example is the Apple and Pear Board's warehousing in several overseas markets and using agents only for payment collection and promotion. In several markets, distributing wholesalers specialise only in warehousing, transportation and payment collection, and are unable to handle merchandising.

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GL Edition

Case study: Knight Tailors tell how they took the US market by the pelt

KNIGHT TAILORS originated from our family tailoring business. The tailoring business started in 1948 and Knights was established as a corporate identity in 1971. Our natural pelt garments are a seasonal product, and from the outset we knew we needed to export. We needed Northern Hemisphere markets to keep our staff and plant fully utilized all year round.

Our company policy was to establish home markets first. To some degree we used New Zealand as a testing ground, and with one or two problems ironed out in our home market we moved to Australia, and established our markets through commission agents. Knights' next step was to look at some stable marketing prospects in the Northern

Hemisphere. At this stage, we needed a northern market to further company growth and continue development. We decided the best way to achieve our goal was to market in North America. We tried various methods to establish ourselves over a three-year period, servicing the United States by frequent trips, but decided that we needed to put our own marketing operation into North America.

A number of factors influenced our decision to establish our own operation. In the fashion industry, you have to keep abreast of fashion trends. You've got to have up-to-the-minute reliable information. For this information we needed to have our own personnel per-

manently attached to the marketplace. In addition, American retailers are not

GRAHAM BOULT, marketing manager of Knight Tailors Limited, Invercargill, explains how the company has established its own operation in the United States to sell quality natural pelt garments in a sophisticated market, and pinpoints pitfalls for companies wishing to set up their own overseas selling operations.

Interested in importing. What they want is servicing, back-up stock facilities and credit facilities. Sold through an existing wholesaler, our gar-

ments would have been uncompetitive. Our only solution was to establish our own marketing operation. First we had to decide on a location. Market research on earlier visits indicated the West Coast of the United States. We decided on Seattle partly because we already had a certain amount of established business in the area, but more so because it is one of the best distribution areas in the United States. It doesn't suffer from overcrowding and is easy to operate from. It also offers tax incentives.

Initially we went into a joint venture with United States partners, but quickly discovered two things which became important guidelines for making future decisions:

1. When it comes to consumer products, American businessmen are always looking for a quick return; 2. When the going gets rough, they look after self interest — they will always leave an escape route for any deals.

Then we had to find good reps, which is easier said than done. These guys work on commission; their only income is from what they sell, so why should they consider selling an unknown product manufactured by an unknown company? They can't be certain that your product will be up to sample standard, or even that you will deliver. And because you are pioneering a market, a lot more effort is required on their part. The best reps are not interested unless you are

prepared to offer them a big drawcard.

Some we had initial discussions with were asking for \$2000 front money a week plus expenses to establish our product. We were busy trying to establish ourselves and there was no way we could pay that sort of money. We knew, however, that getting the right representatives was exceedingly important. Eventually we found them — persistence and selling yourself — if they feel confident in you then maybe they will try the product.

Next we had to develop the right terms of trade. Regardless of who you are or where you come from, your terms have got to be the same as similar to, or better than your competitors. The marketing situation in the States is very different from New Zealand. Debt collection, for instance, is a big headache. You are looking at a credit period of at least 45 days, which stretches to 90-120 days. After that, if you want to collect on a non-paid debt from a client in another state, you must hire an attorney from the state in which that client is based.

Next, we had to do a maximum product exposure. The medium we chose for garments was trade fairs, and we entered into a comprehensive programme. There are approximately 350 metropolitan fairs and an equal number of women's in the course of a year. Out of these we had to select those of value and cover them adequately. We found that joint stands were a waste of time. The name of the game is to get maximum exposure in minimum time, and co-operative displays were not conducive to this. Success at these shows had a lot to do with consistency of appearance. We didn't receive much response from our first fair. But when we did our third stand at the same show we started to become accepted. We had demonstrated that we were not a fly-by-night outfit.

Knight Tailors has now been operating in the United States for two years. In our Seattle office and warehouse we have two New Zealanders and three Americans. We are not only marketing our own company's goods, but also a line of footwear produced by an Auckland manufacturer. It is only now that our operation is beginning to function as we would wish to. We have established a credibility and we are acknowledged as a merchandise resource by clothing retailers. But we are still scratching the surface of the market. It will take another three years of steady and determined work and planning before our ultimate aims are fulfilled.

The United States market should never be looked on as a short term. Any company wishing to establish itself there is looking at tremendous capital and development expenditure. The United States can be approached only on a long-term basis. Companies should aim to write off development costs over at least five years.

The following points are vital in establishing a successful venture in the United States:

1. Research your market. Obtain as much information as you can in New Zealand, then throw away your notebook and hop on a plane. Look at trade fairs, how they operate — how buyers operate — when they buy — where they contact reps, look at competitors' merchandise — put it to pieces — study the way

look of the product; look at how your competitors merchandise; look at why consumers buy the product.

2. Locate and consult a good attorney. When you have found him, how do you know if he's any good? Check with his clients — he won't be upset; he expects you to. Don't be afraid of his charges — if he's good it will be money well spent.

3. Work out a long-term marketing plan. You might say that's just normal marketing but in the United States that plan will encompass more facets of marketing, take longer to implement, and cost far more than you originally envisage.

4. Decide which method of financing you are going to use within your marketplace. From your market research you will know how your competitors operate. Study their methods. You will also know what credit period you have to give — add another 50 per cent to that length of time. You will have to make use of every tax incentive available — study them, and put them to good use.

5. Research the best location for your operation. Ease of distribution is the most important point. You may find it's preferable to have your warehouse at one location and your sales office at a merchandise mart where you will get ease of access to buyers and better exposure.

6. Make sure you have the right blend of New Zealand and American staff. You need New Zealand personnel — it helps credibility. They can report in terms you un-



PROCESSING PELTS

dressing up for the US market. Understand and they understand your production problems and capabilities. Listen to what they say as they

are the people in the marketplace. You also need American personnel — look for someone who has retired from

marketing in your field; he will know the pitfalls. This type of person is easier to find than you may think —

takeovers are frequent in the United States and redundancy in the over 45 age group is high.

7. Cost your product on the basis of maximum runs over minimum range. This has got to mean a loss initially, but this method, coupled with tax incentives, is the only way most New Zealand products will be competitive in the American marketplace.

8. Aim for the best exposure for the product. I consider trade fairs the best medium, but your display must be professional. Catalogues, mailing sheets, trade advertising and press releases are important too.

9. Understand your customer. Put yourself in his place — then decide if you will buy your product.

10. Forget about looking for short-term profits. A hard thing to convince any board of — my recommendation is that if you are looking for short-term profits don't go to America.



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Use right tools to top off an export sales deal

KNOWLEDGE is the foundation on which a sale is built. If you are to be successful, the three vital areas of knowledge with which you must be familiar are:

- 1) Your Prospects — you must understand the customers' needs and problems, their purchasing policies, and which individuals influence the purchase of products you are selling;
- 2) Your Company — you must know its history, its policy, understand its objectives, and what it expects of you;
- 3) Your Product — you must know its uses, its features and benefits, its advantages and superiority over competitive products, and you must be aware of its limitations.

The foreign buyer may know little about New Zealand and its relationship to his own environment, so it is worth outlining both strengths and

ROBERT WALTERS, manager of AHI Roofing International, looks at some of the basic selling tools which can be used when presenting technical, industrial or capital equipment products to foreign buyers...

weaknesses. You should try during face-to-face discussions to build up personal rapport, trust and common interests that can assist in obtaining the sale and in getting continuing business.

As far as business protocol is concerned, it is advantageous overseas to have the right title for the job, which will allow you to meet the decision-makers as an equal. The overseas buyers must believe that you have the authority to make decisions which will not be countermanded by senior management or boards of directors.

Titles, however, are not enough on their own. Manner,

dress and personality all play their part in selling you to the buyer.

Unlike your local counterparts in the market, you cannot visit on a daily or weekly basis, and thus you have to make an agreeably lasting impression in a short space of time.

Sales representatives often spend time in promoting the product and its advantages, without ever firmly establishing the credibility of the company. Before you can hope to discuss a product and its performance in any detail, you must overcome the doubts and objections of the buyer relating to your position and that of your company. Without this having been established, you have little chance of success.

You must establish your company's credibility, no matter what its size. Use annual reports, balance sheets, or other documentation that adds substance to your operations. You must prove

that you are likely to be a financially secure and reliable supplier.

Discuss the position which your company holds within your local environment and other overseas markets where appropriate; provide other contacts that the company may turn to for external opinions. Mention key customers or other companies with which you deal, have licence agreements, technical interchanges, or product development programmes, or any third-party source that can be linked to your potential buyer and which establishes credibility and provides him with security.

Once these objections have been overcome, you can move on to presenting the product. In this area, your approach needs to be tailored precisely to the buyer's requirements.

Nothing is more useful than showing the actual product; preferably you should be able to demonstrate its performance to the buyer. But

shown on its own, it will require other selling aids for support.

AUDIO-VISUALS

The most dramatic selling aid comes in the form of audio-visual presentations. An audio-visual can hold the attention of your prospective customer better than a face-to-face sales presentation.

Often you will find that the buyer will call on his colleagues to sit in on your presentation. This enables you to get to a range of decision-makers at one time, thus making it easier to overcome problems and objections with the group.

It is essential that you set your objectives for an audio-visual. Is it to be orientated product, or training — serving?

Corporate image provides background to the company, its range of expertise, its position in the marketplace, its growth record, and diversity of products, and shows financial stability.

Product presentation provides information on the product's technicalities, benefits, features, its method of manufacture and packing. It discusses previous uses in other areas of the world, and most importantly, establishes the image of your product in the right market sector.

Catalogue and Sales Brochures

One of the most versatile tools in the salesman's kit is good sales literature. It is often the major promotional aid you will leave behind for future reference by the buyer. Thus, your literature must position your product correctly in the market, and describe its benefits, features, comparative advantages and applications.

It is wise to avoid clutter, and to have a major focus point on each page (photograph, major application, or product feature). Items should be illustrated, but where many of them look alike, this is not essential.

Technical Manuals

Technical manuals must be presented in a logical sequence. They must be quick and easy to use, and provide accurate technical data, examples of calculations, and necessary tables. A clear index at the front is essential, and the use of items such as protruding tabs makes for easy referral to each section.

Photographs

Photography is taking its place as one of industry's most effective sales tools. The camera is becoming part of the standard kit for overseas visits. With it, you can develop your own testimonials on your product's effectiveness, through before-and-after pictures, take shots of competitive installations, and develop ideas for sales promotion and advertising. And you can bring back a visual record of the difficulties in certain regions, and show graphically why product adaptations are required.

Samples and Models

If it is impracticable to take samples of your merchandise, models or working displays can often help in explaining the benefits to the buyer.

Ideally, these models or samples should be in a form that can be left with the buyer for use at a later stage. They should reinforce, in a material way, all the other sales

promotion and act as a practical reminder of products you are offering.

Market Information

Market information can be used in the selling approach in two basic ways: First, as a means of identifying opportunities for the product; second, as a guide to the best prospects to approach them.

Data can be in the form of elaborate nationwide research survey, or a single sheet of basic data about a small market area. They consist of a newspaper clipping that gives you an interesting piece of information.

Case Studies, Test Reports, Testimonials

These aids are used to reinforce particular points in your presentation by providing a previous satisfactory use of the product under actual conditions, and its ability to perform to the requirements being requested.

Charts and Graphs

Show graphically your share of the cake in relation to overseas markets and competitors. Show comparative costing, saving, effective market utilisation in relation to market potential, sales, or any form of product or performance.

Display Screens

Display screens can be an effective medium for presentation or for prospective distributors.

Their design must be of quality and aesthetically pleasing. They must be transport and put up, as such robust construction as even after a number of displays, they still have "as new" appearance.

Seminars

In order to get buyers to come to see a product in the first place, often possible to arrange a scheduled seminar exhibition that will cover some new facts which are pertinent to your product. This concept has become increasingly popular as it constitutes a quick and relaxed way to obtain data from a panel of authorities. One can use speakers to conduct a seminar on an informal, non-commercial basis. Commercial aspects generally are discussed during the stages of the seminar. The equipment on display is exhibited and demonstrated as part of the seminar process.

Follow-up

Having left as much information as is possible to the buyer, and if he appears to be reliable and an active customer, why not leave a small token of your product to remind him of your company?

If the prospect seems promising, suggest that he visits your factory. Even though you have all available selling aids, convince the buyer to purchase your product. It is essential to have the support of your home base. If success follows, it is only by effective follow-up that the buyer's response to your product and follow-up that the buyer gains the product service which he desires.

Be prepared to follow up on your sales. The package

Why corporate plan makes it easier to export

THE first step in introducing a formalised approach to corporate planning, was to define a set of measurable factors which collectively described the company's economic performance in broad terms. These factors were organised into an integrated company goal structure focusing on profitability defined in terms of after-tax return on equity (see chart).

Before putting numbers against this goal structure, key staff developed a list of company policy statements to provide the ground rules to be observed when quantifying the company goals.

Then we reviewed company performance in terms of the goal structure factors and used this as a basis for tentatively specifying challenging five-year company goals.

We then conducted a critical appraisal of our environment to identify threats and opportunities, and of the company to identify strengths and weaknesses.

These threats, opportunities, strengths and weaknesses were classified by functional area to provide the platform for developing functional area goals and key actions to enable the attainment of the company goals.

The final step in our planning process was to ensure complete reconciliation and integration of functional area goals with company goals, and their translation into detailed twelve-month budgets and action plans.

Up until this year, these steps have been carried out annually, with no capability for interim reviews and flexing

BILL HALL, managing director of Hallmark International of Hamilton, stresses the need for a corporate plan which will commit a company to more effort in the export arena.

of our plans to meet changing circumstances. But we now have the use of a comprehensive computer-based planning model which gives us the ability to prepare detailed plans and to test a broader range of alternatives and assumptions.

The first time around with our planning was difficult, particularly in terms of going from a company with little formal planning to a more formal approach.

We were aware that we did not want to stifle the entrepreneurial spirit of the company and it was difficult to arrive at a balance.

Although well satisfied with the plan when it was completed, we ignored its contents and left it in the drawer for 12 months, until the next review came up, while we reverted to our old habits of wandering up all sorts of irrelevant paths — which had nothing to do with where we had agreed to go.

We are still experiencing some problems, but each time round it becomes a little easier and the plans become more relevant. Key staff have found it difficult to focus at all times on key actions, because of normal day-to-day activity which can side-track us all, but we recognise this weakness and are slowly overcoming it.

Just recently, we fell into this old trap. Our advertising

agency came up with a promotional package for next year which was very good, gratifying, but which focused primarily on the local market. Fortunately, we were able to redirect this thrust into the export arena before it was too late — something we would not have done two years ago.

I am sure that our company would not have made the commitment it has to export without a fully integrated corporate plan which clearly demonstrates the sound economic sense in exporting. It clearly sets out what it means to the company in after-tax dollar terms; it demonstrates that other alternatives are not as economically attractive.

The resulting export targets were established not on the basis of what I, as export manager, felt could be achieved, but rather on what the company required for the tax shield to attain our profitability goal.

Because the plan was developed on a team basis,

there was no problem in getting commitment from each functional area to the export effort. In any company you have a diversity of people with different interests who would each like to see the emphasis and priority accorded to their own functional area. Let's say you have 100 units in the warehouse available for sale and you have received two orders, one from overseas and one locally.

Under normal circumstances it would be difficult to convince the local sales manager that the 100 units should go to export. But because our local sales manager was involved from the start in the planning process, he understands the economic good sense of export.

There is, in fact, a statement under "policies" in the Management Guide of each functional area which reads: "Total commitment to the export effort." There is a further policy statement to the effect that: "The sales seasonality weakness must be

solved by export in the long term rather than local marketing." This weakness of seasonality was recognised during the planning process and export marketing was given the job of solving it.

These policy statements all assist in directing the export effort and in clearly establishing its priority particularly in relation to local marketing.

As a result of corporate planning, co-ordination and communication between key staff is enhanced. Each person knows exactly where he fits into the scheme of things and what effect his actions have on the overall company's performance. As a result of the appraisals in each area, weaknesses have been identified without any subjectivity.

If they are not yet overcome, we are in the process of rectifying them. Because we are all able to focus on the same goals and flex them in response to changes, the corporate plan has become a

dynamic tool in ensuring that the combined effect of our efforts is far greater than the sum of them taken separately.

Reporting is all tied back to the corporate plan, and we can see how we are going against the targets. We have the ability to revise the longer-term plans and budgets quickly. A clearer understanding of the company's purpose makes decision-making easier, and there is less tendency to get sidetracked from the company's goals.

I am sure that if companies would take the time to develop their own corporate plan the sound economic sense of export would become so clear that they would be left with no alternative but to pick up the export challenge. In doing so, they would not only improve their company's profitability, but earn the valuable overseas exchange so badly needed by this country.

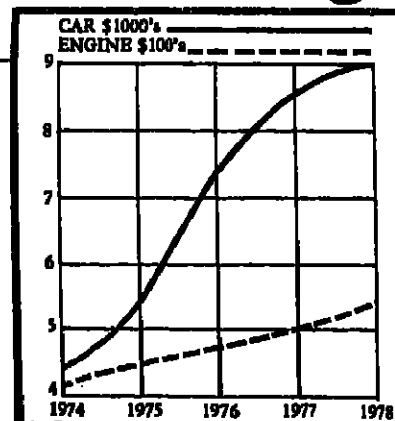
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See how cost increases in new vehicles go up faster and greater than cost of replacement motors. Example charted is a popular "Sic", period 1974 to 1978.

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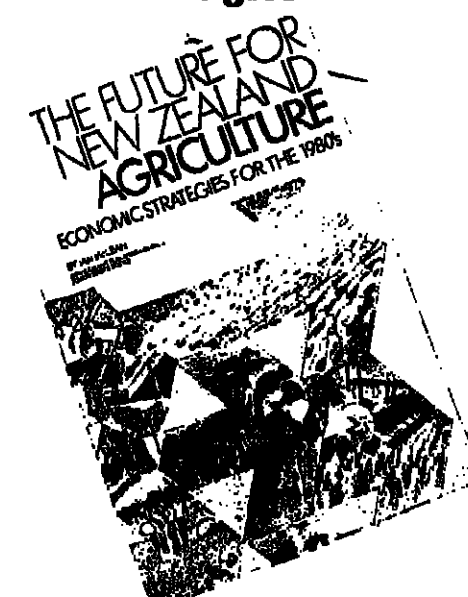
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